

## DECC-OFGEM STAKEHOLDER GROUP FOR GAS

6<sup>th</sup> Meeting, 14 November 2012

### MINUTES

1. The Chair opened the meeting and welcomed attendees. Updates were received from the gas transmission group, the Madrid Forum and the DECC-Ofgem-National Grid tripartite meeting.

#### 2. Balancing Network Code

2.1 National Grid (NG) provided an update on the consultation and final network code (see slides). ENTSOG received 51 consultation responses which were generally very supportive of the network code; over 180 issues were raised which were investigated and changed – issues were mainly over clarity. ENSTOG also received a shadow opinion from ACER and some issues were addressed.

2.2 The final code went to a stakeholder support process - 28 responses were received and they showed that overall the Network Code is well supported by the market. There are some remaining concerns around the move to have a separate neutrality pot especially from the German stakeholders.

2.3 National Grid mentioned that ACER and the European Commission raised a number of concerns on the revised code. Some further changes have been made by ENTSOG including: amendment of gas quantity requested, TSO recovery of any costs and revenues, WDOS, and nominations. NG believes that significant improvements have been made in this final stage but this is a complex area therefore not all issues have been addressed.

2.4 ENTSOG submitted the final code to ACER on 26 October. ACER is expected to give its formal opinion by 26 January 2013. If the code is considered to be in line with the ACER framework guidelines it will be sent to the Commission for them to conduct the Comitology process, which will result in the code entering into EU law (6-12 months). The UK will then have 12 months to comply with the code however NG is likely to ask Ofgem to extend this period to 24 months to enable changes to be made to existing contracts, the UNC and any associated IT systems.

2.5 Impacts on GB: National Grid initial impact assessment showed that the main issues are around the nomination regime at the interconnector points. NG is planning to undertake a detailed impact assessment of the code to help inform any implementation plan to be developed by GB parties.

**2.6** Discussion then followed from a users' perspective. There are some concerns about within day obligation, the code talks about 3 types but these can apply in conjunction with each other. Also some concerns about the wording to do with credit risk and intra-day at info points. EFET wanted the code to be more specific. Ofgem stressed that it is important for stakeholders to feed in their views early in the process. There will be an orientation discussion on the Network Code at the next ACER BoR in December and stakeholders should raise their points before this, in November.

### **3. Tariffs Framework Guidelines**

**3.1** Ofgem provided an update on the Tariffs Framework Guidelines (see slides). The consultation closed on 5 November. An expert group will meet in Ljubljana on 5 December. ACER intends to write to the European Commission seeking extension to the original 31 December 2012 deadline.

**3.2** Ofgem gave an update on the Tariffs sub-group meeting which took place on 5 October. The group was generally content; some concerns with lack of clarity on the draft Framework Guideline (see slides for detail).

**3.3 Action** for Ofgem to request another meeting of the Tariffs sub-group

### **4. Capacity Allocation Mechanism Network Code (CAM)**

**4.1.** Ofgem informed the group that the European Commission will share its first informal draft of the text at the end of November which will be circulated to the group for views. On 5 December a pre-comitology meeting will take place and on 24 January the first formal comitology meeting is expected.

**4.2** There are 4 outstanding issues for ACER (see slides for detail). Ofgem expects the European Commission to agree with ACER on quota for short-term capacity and short-term reserve price, to reach a compromise on unbundled to offer it for up to 1 year, and to include ACER recommendation on quota for incremental capacity. The fourth issue is the area of most debate.

**4.3.** A discussion then followed regarding concerns from users. EFET sent a letter to the European Commission on 12 November. The general view is that quota of existing capacity held back might increase from 10% to 20% up to 5 years. EFET would prefer capacity to be available on a quarterly basis. Regarding the quota of incremental capacity they would want market based mechanism to determine incremental capacity. Ofgem also stressed that there is a need for stakeholders to propose solutions to their concerns.

## **5. Incremental Capacity**

**5.1** Ofgem provided an update on CEER's work on incremental capacity (see slides). CEER launched an Incremental Capacity work stream to focus on developing a market-based approach for cross-border investment, in the framework of the Third Package.

**5.2** CEER ran a public consultation in June- September 2012, aiming to gather stakeholders' views on different approaches for the identification and allocation of incremental capacity. CEER received 30 responses and the majority of stakeholders welcomed the work stream.

**5.3 Next steps:** CEER will publish an Evaluation of Responses document by the end of the year, including preliminary CEER views. A Blueprint for an EU-wide approach to Incremental Capacity will be presented at the next Madrid Forum, in April 2013. As part of the development of the Blueprint, CEER will hold a Public Workshop in March 2013 to update stakeholders on work stream progress.

There is an ongoing close cooperation between CEER and ACER, who have commissioned consultants to carry out a study on Incremental Capacity in the context of the Tariffs FG.

**5.4** An initial proposal was made by CEER co-chairs. The diagram (link) shows various approaches to identification and allocation of incremental capacity, ordered on a scale by their reliance on the bidding table.

**5.5** A discussion followed on participants' views of the proposals. RWE, NG and Gazprom mentioned that they had replied to CEER's consultation.

NG and TSOs believe that, provided some basic best practice principles around transparency and predictability are mandated, the issue around the allocation methodology is secondary; the bigger issue is allocation of investment risk in the long-term (40 -50 year asset life) and the need for a regulatory settlement mechanism to address this.

## **6. Congestion Management Procedures (CMP) Implementation**

**6.1.** Ofgem gave an update on CMP implementation process and issues (see slides for detail). Ofgem proposes two stages on the implementation of CMP – first stage starting November 2012 to February 2013 with a consultation process, the idea is to have stakeholders' inputs on strategic issues and the second stage starting February 2013 to October 2013 (link). Consultation requires discussions with neighbouring regulators, TSOs, NGG and interconnectors. There are some issues depending on how far CAM early implementation goes, and how to ensure compliance. An initial high-level gap analysis has been developed by Ofgem (see slides)

**6.2** Ofgem stressed the importance for member states to go forward with early implementation. It mentioned the Call for evidence on the use of gas interconnectors on Great Britain's borders and

on possible barriers to trade which it launched together with two other European regulators, CREG and NMa.

**6.3** Both Ofgem and stakeholders recognised that the timescale for CMP implementation is tight and as CMPs will be required to be in place in October 2013 and there is a need to identify what needs to happen before this deadline. Stakeholders stressed that the earlier they receive the consultation document the better it is for them to prepare their comments.

**7. AOB** – Ofgem mentioned the workshop on the 21<sup>st</sup> November on the use of gas interconnectors and cross-border flows and invited attendees to participate.

### **Participant list**

Participant	Organisation
Nevile Henderson	BBL Company (dial in)
Donal Kissane	BGE (dial in)
Andrew Pearce	BP Gas
Helen Stack	Centrica
Roddy Monroe	Centrica Storage
Jonah Anthony	DECC
Sue Harrison	DECC
Richard Fairholme	E.ON
John Costa	EDF Energy
Adrian McConnell	Energy Networks Association
Julia Cox	Energy UK
Paul Woolley	ExxonMobil
Avian Egan	Gas Link
Gaia Morleo	Gazprom
Robert Sale	IUK
David Cox	London Energy Consulting
Ciara Brennan	Mutual Energy (dial in)
Debra Hawkin	National Grid
Matthew Hatch	National Grid
Chris Logue	National Grid
Bogdan Kowalewicz	Ofgem
Clara Ruiz Prada	Ofgem
Clement Perry	Ofgem
Konrad Keyserlingk	Ofgem
Natasha Ranatunga	Ofgem
Richard Miller	Ofgem
Stuart Borland	Ofgem
Pamela Taylor	Ofgem (chair)
David Odling	Oil and Gas UK
Steve Rose	RWE
Amrik Bal	Shell