

## **DECC-Ofgem Stakeholder Group for Gas**

**8<sup>th</sup> Meeting – Monday 22 April 2013, 14.30-16.30**

**Ofgem, 9 Millbank, London, SW1P 3GE**

### **Minutes**

1. The chair (Pamela Taylor) opened the meeting and welcomed participants. There were two actions from the last meeting which had been completed.

#### **2. Update from the DECC-Ofgem-National Grid trilateral meeting**

2.1 Pamela Taylor provided an update from the DECC-Ofgem-National Grid high-level trilateral meeting which took place on 22 March. The purpose of the trilateral meeting is to have a strategic debate and focus of the importance of proactively engaging with developments at the EU level.

2.2 The trilateral is putting together an issues log for the European Network Codes. These will be issues shared by the three parties with view to ensure best for GB consumers. There will be two logs, one at working level to capture technical details and a high level one dealing with strategic issues such as influence and compliance for example. Once the issues logs are filled in, Ofgem will circulate these to stakeholders for comments and input.

2.3 Both Ofgem and DECC are considering more engagement with consumer organisations. Ofgem is considering the creation of a regular forum to engage consumers and European interactions could be dealt with at this forum.

2.4 At the meeting it was also reiterated that there cannot be a “one size fits all approach” in the Network Code implementation process. It is important that Ofgem, National Grid and DECC have early conversations with one another on the process.

#### **3. Tariff Framework Guidelines**

3.1 Ofgem (Richard Miller) provided an update on the Tariff Framework Guidelines ([see slides](#)). The ACER Board of Regulators agreed on the Framework Guidelines text except on 3 issues: cost allocation section, notice period for change in tariffs, and transparency on RAB. It seems that the European Commission wants a more detailed section for cost allocation which sets out a list of cost allocation methodologies, a description how each method determines tariffs and circumstances where each method is used.

3.2 ACER now has to revise the text on these issues and aims to submit the final Framework Guidelines at the end of the year. ENTSOG could start drafting the agreed sections of the Framework Guidelines informally. The European Commission will send ENTSOG the formal letter once the whole Framework Guidelines are finalised.

3.3 The sections that were agreed already are on:

- the implementation period which will be by October 2017 (with an extra year in special circumstances),
- revenue recovery,
- reserve prices, and

- payable price as floating price (for more details, [see slides](#)).
- 3.4** Ofgem stressed that the issue on cost allocation is about addressing the problems the Commission had been made aware of. Other Member States have raised concerns with cost allocation and Ofgem is currently discussing with regulators in order to understand these concerns. Pamela Taylor encouraged stakeholders as market participants in other countries to also seek out what these concerns are.
- 3.5** Alex Barnes also raised the issue of floating and fixed prices. The GB experience of fixed tariffs is seen as negative in the rest of the EU. Colin Lyle (EFET) explained that EFET prefers a fixed price and pointed out that there is a need to have an agreement to know in advance the price for all the products. Ofgem stressed that there should not be a GB view against floating and encouraged industry to explore ways of making the floating tariff work. Ofgem also emphasised that the detail will need to become part of the Network Code process and sought out by ENTSOG. As a regulator, Ofgem has pushed for a common approach at each border as otherwise this would imply distortions. Ofgem encourages incremental capacity to be considered and highlighted that the incremental capacity blueprint is soon to be published and it is likely to become part of CAM. Chris Logue (National Grid) stressed that the Tariff Framework Guideline has to be sufficiently clear in order for ENTSOG to develop the detail of the Network Code.
- 3.6** A stakeholder queried whether ENTSOG have a working group programme for the development of the Network Code on Tariffs. Chris Logue (National Grid) replied that a programme was developed with the deadline of the Framework Guideline to be out at the end of March but seeing recent developments there are no current working group plans and these will have to take into account the new developments in the process.
- 3.7 Action** for Ofgem to circulate the Tariff Framework Guidelines and the incremental capacity blueprint once these are published and to set up a sub-group to discuss tariffs aspects of the incremental capacity blueprint if there is stakeholder interest.

#### **4. Congestion Management Procedures Guidelines implementation**

- 4.1** IUK (Darren Reeve) provided an update on the process they are going through in terms of implementation of the CMP Guidelines ([see slides](#)). Darren Reeve highlighted that IUK has sold its capacity until 2018 and that it is having discussions with capacity holders and NRAs. IUK proposes to enable new shippers to sign a contract with IUK (without long-term capacity rights) and access capacity directly from IUK as well as through the secondary market. Regarding the CMP proposals, IUK will offer additional capacity for sale (OS capacity), buy back, capacity surrender mechanisms, and Long-Term Use It or Lose It. IUK is putting out a consultation the week of 22 April for a 4 week consultation period. Darren Reeve informed that after the consultation, IUK will assess the responses, agree and finalise the business rules with NRA oversight of further changes. It will then seek contract signatures with all IUK shippers and seek approval from the two NRAs (Ofgem and CREG) with the deadline of implementation by 1 October 2013.
- 4.2** Consumer Focus (Richard Hall) queried whether the amount of capacity available will be stated in the consultation document. Robert Sale replied that the capacity available will be up to 15% in either direction depending on the level of nomination. This number comes from a statistical model made on the interconnector, 15% will be available when the interconnectors is at a low level.
- 4.3** Ofgem welcomed IUK's proposal and proactive stance on this subject and it expressed interest on comments from stakeholders on IUK's proposals.

**4.4** National Grid (Chris Logue) also updated on the CMP implementation in GB. National Grid have already in place an effective system of oversubscription and buy back. It will make a UNC Modification which is following standard UNC modification process (see detailed timeline on [slides](#)). NG welcome stakeholders' participation and encourages them to feed in any issues early in the process. The UNC will be reviewed as part of the introduction of Capacity Allocation Mechanism (CAM) Code.

**4.5** The UNC Mod 0449 will introduce a number of enduring and transitional requirements:

- "Interconnection Point" as a new classification of "System Point"
- Surrender processes introduced for: NTS Entry Capacity; NTS Exit (Flat) Capacity
- Introduce AMSEC Oversubscription process (utilising many of the same features as the AMSEC surrender process)
- EU Transparency obligations at Interconnection Points for firm capacity products with a duration of 1 month or longer

**4.5** Neville Henderson spoke on behalf of BBL Company and stated that BBL is also currently discussing proposals on CMP with regulators and it will follow up with a consultation. Pamela Taylor stated that Ofgem is having discussions with the Irish regulators regarding CMP implementation on the Irish interconnectors. She also emphasised on the importance of stakeholders' input in the process of CMP implementation. At the Madrid Forum, regulators agreed to share with each other approaches to implementation of the network codes.

## **5. Capacity Allocation Mechanism Network Code**

**5.1** DECC (Sue Harrison) provided an update from the comitology meeting of 15 April on the CAM Network Code. Sue Harrison stressed that the high level of attendance of member states indicated once again how difficult it is to make changes at the final stage and there is need for support and allies in order to push for any change. Sue Harrison highlighted some important changes that were made:

- the sunset clause
- quotas for new capacity
- Implementation deadline: this has been pushed to 27 months – the date is 1<sup>st</sup> November 2015.

**5.2** Chris Logue welcomes the agreement of a 27 months period for implementation however this remains very tight and National Grid will need a direction soon as the rules have to be agreed by end of this year in time for November 2015.

**5.3** Sue Harrison mentioned that ACER recommended adopting the Balancing Network Code in March. A pre-comitology meeting will take place on 28 May and the comitology meeting on 11 July.

**5.4** Ofgem provided an update on the implementation process of European network codes ([see slides](#)). Pamela Taylor explained that so far Ofgem issued an open letter on CMP implementation which is being dealt with by the individual TSOs. Ofgem also published an open letter on IUK & BBL flows in 2012 and will soon publish conclusions of this study. There remain some questions to be looked at regarding BBL.

**5.5** Ofgem pointed out that some key issues for GB are issues that neighbouring TSOs and regulators face as well. Ofgem stressed the need for a process to deal with the shared issues. Ofgem puts forward a proposal of a potential process of sub-groups (one GB-NL and one GB-BE) to feed into the implementation discussion with both TSOs and regulators.

**5.6** Robert Sale (IUK) provided some feedback on discussions with regulators on CMP implementation and agreed that the shared problem approach was good although in some cases NRAs could coordinate more to maintain the same position.

## **6. Future priorities**

**6.1** Pamela Taylor briefly touched upon future gas priorities for the European regulators ([see slides](#)).

These include finalisation of current priorities on the Network Codes and Framework Guidelines as well implementation of existing market rules (CMP, CAM) and early implementation of other Network Codes. Moreover, other areas for 2014 include incremental capacity and rules for trading. The future focus of CEER beyond 2014 will be to review and update the Gas Target Model with stakeholders' involvement which will be the opportunity to think more strategically and to look more widely at the work on interaction between electricity and gas markets.

## **Participants list**

<b>Name</b>	<b>Organisation</b>
Nevile Henderson	BBL Company
Mark Dalton (dial in)	BG Group
Donal Kissane (dial in)	Bord Gáis
Andrew Pearce	BP
Chris Wright	Centrica
Helen Stack	Centrica
Roddy Monroe	Centrica Storage
Audrey Nugent	Chemical Industries Association
Richard Hall	Consumer Focus
Jonah Anthony	DECC
Sue Harrison	DECC
Richard Fairholme	E.ON
John Costa	EDF Energy
Arben Kllokoqi	EDF Trading
Colin Lyle	EFET
Julie Cox (dial in)	Energy UK
Felicity Bush	ESBI
Paul Woolley	ExxonMobil
David Cox	Gas Forum
Alex Barnes	Gazprom
Marie Maurice (dial in)	GDF Suez
Darren Reeve	IUK
Pavanjit Dhesi	IUK
Robert Sale	IUK
Stephen English (dial in)	Mutual Energy
Chris Logue	National Grid
Matthew Hatch	National Grid
Pamela Taylor	Ofgem
Michael Jenner	Ofgem
Richard Miller (VC)	Ofgem
Lisa Martin	Ofgem
Vanessa Sturman	Ofgem
Alena Aliakseyeva	Ofgem
Steve Rose	RWE
Gerry Hoggan	Scottish Power
Amrik Bal	Shell
Jeff Chandler	SSE
Graham Craig (dial in)	UREGNI
Christine Gilmore (dial in)	UREGNI
Martin Baker	Xoserve