

## **DECC-OFGEM STAKEHOLDER GROUP FOR GAS**

**9<sup>th</sup> Meeting – Monday 24 June 2013, 14.30-16.30**

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

### **Minutes**

#### **1. Welcome and review of actions from 8<sup>th</sup> meeting**

- 1.1** The chair (Pamela Taylor) opened the meeting and welcomed participants. There was an action from last meeting on Ofgem to circulate the latest Tariff Framework Guidelines and the incremental capacity blueprint once these are published and to set up a tariffs sub-group. The documents were circulated. The chair mentioned there has been some interest in the tariffs sub-group and invited stakeholders to send an email to Arina Cosac ([arina.cosac@ofgem.gov.uk](mailto:arina.cosac@ofgem.gov.uk)) to express their interest with the aim of organising this sub-group in August. The tariffs sub-group will discuss the draft Tariffs Framework Guidelines currently under development by ACER and the tariffs aspects of the incremental capacity blueprint.  
**Action** on Ofgem to set up dates for the sub-group.
- 1.2** The chair informed that Ofgem circulated the latest draft of the Balancing Network Code which will be discussed at the comitology meeting on 11 July. Stakeholders are encouraged to send their comments to Sue Harrison ([Sue.Harrison@decc.gsi.gov.uk](mailto:Sue.Harrison@decc.gsi.gov.uk)) and Arina Cosac ([Arina.Cosac@ofgem.gov.uk](mailto:Arina.Cosac@ofgem.gov.uk)) by Wednesday 3 July.
- 1.3** Ofgem has received feedback on the group from participants which showed that the meetings are seen as helpful and positive.
- 1.4** Pamela Taylor introduced Rob Mills, the new Head of European Wholesale Markets who will be taking over Pamela Taylor's responsibilities on the European Network Codes and will be Ofgem's representative in the ACER/CEER Gas Working Group. His colleague Tom Corcut will be working on the Network Codes with the Irish interconnectors.

#### **2. Tariff Framework Guidelines**

- 2.1** Ofgem (Nathan Macwhinnie) provided an update on the Tariff Framework Guidelines ([see slides](#)). Approximately 80% of the Framework Guideline text has been provisionally agreed. The European Commission wants to see more detail on cost allocation methodology and a list of acceptable methods and some details on how they work.
- 2.2** Next steps: ACER will launch a consultation on the Framework Guideline text on Cost Allocation from 17 June to 17 September and it will hold a stakeholder workshop on 5 September.
- 2.3** Colin Lyle (EFET) expressed a concern that any changes to the cost allocation chapter might affect other part of the Framework Guidelines. He stressed that the Tariff FG is not clear when the information about the reserve prices will be available. Stakeholders are not sure how the reserve prices for long term CAM auctions will work given that the Tariffs implementation date is much later in 2017.
- 2.5** Ofgem (Judith Ross) informed stakeholders that it has published a call for evidence this Monday 24 June on the Gas Transmission Charging Review seeking stakeholders' views on current GB charging arrangements. Ofgem will also be hosting a workshop on 8<sup>th</sup> July to launch this call

for evidence and it will be discussing the European elements too. Members of this group are welcome to attend.

**2.6** Pamela Taylor (Ofgem) encouraged stakeholders to respond to the Tariffs consultation once this is out on 17 July and to write to ACER on the issues missing from the guidelines as raised in this meeting. It will be more difficult for ENTSOG to draft the Network Code if the Framework Guidelines will have gaps.

**2.7 Action** for DECC/Ofgem to have Tariffs FG on the agenda for next meeting.

### **3. Congestion Management Procedures (CMP) Guidelines implementation**

**3.1** IUK (Darren Reeve) provided an update on the CMP Guidelines implementation process. IUK's consultation on its proposal for the implementation of the CMP Guidelines was launched on 30 April and closed on 28 May. Darren Reeve informed the group that the responses to the consultation were generally supportive ([see slides](#) for more details). The next steps will be to finalise the proposals with the regulators and shippers and to start discussions on the CAM and Balancing Network Codes.

**3.2** Darren Reeve also mentioned IUK's consultation on its "Interconnector Access Agreement". This will be a new contractual framework which will provide access to new shippers to IUK products/services which takes into account the European Network Codes (in particular CMP, CAM, and Balancing). The plan is to consult on the Access Agreement during Q3 2013.

**3.3** Ofgem (Pamela Taylor) stated that IUK's process in implementing the CMP Guideline is seen as positive.

**3.4** 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. National Grid is now in the process of making an UNC Modification which is following standard UNC modification process. The Mod will define interconnection points; introduce the surrender mechanism and AMSEC Oversubscription process, and EU Transparency obligations at Interconnection Points. Chris Logue informed the group that the UNC working group report will go to the 18<sup>th</sup> July UNC Panel and afterwards it will be out for consultation for 15 days. It will then recommend and submit to Ofgem in August.

**3.5** Neville Henderson (BBL Company) stated that BBL is also currently discussing proposals on CMP with regulators and it will follow up with a consultation. Avian Egan (Bord Gais) reported that in Ireland they are submitting their business rules to the Irish regulator on Monday 24 June.

**3.6** EFET (Colin Lyle) provided a quick update on the recent paper published and circulated by EFET on CMP implementation ("Appropriate design for an oversell and buy-back scheme – Implementation Guide"). The document was prepared in light of the upcoming deadline for implementation, October 2013 and points out the fact that there is a lack of progress on OS and buy-back in continental Europe. Alex Barnes (EFET) commented that this lack of action implies that some countries may move directly to day-ahead UIOLI which restricts renomination rights. This could have a knock-on effect for GB as it can impact the flows of gas through the interconnectors.

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

**4.1** Ofgem provided an update on the CAM implementation process. Pamela Taylor reminded stakeholders the process discussed at the last meeting and the idea to build on the experience of

stakeholder engagement that was used for the CMP Guidelines implementation process. Pamela reiterated that we first need to get a process for implementation of CAM into place between regulators and TSOs and think about how to engage stakeholders throughout this process.

**4.2 Action** on Ofgem to set up a meeting between all the parties (regulators and TSOs) and update at the next stakeholder meeting on how the process goes.

**4.3** Ofgem (Clare Cameron) updated on the work in progress for the change in the gas day. Ofgem will be holding a workshop on the 3<sup>rd</sup> July which sets out our initial thinking. Stakeholders were invited to attend this workshop and contact Clare Cameron for more details.

## **5. Balancing Network Code**

**5.1** Sue Harrison (DECC) provided an update from the pre-comitology meeting on the Balancing network code on 28 May. The latest draft of the code was circulated prior to this meeting (24 June) with some changes from the Commission's legal department. Some of the main points to note are that the section on cross-border balancing has been deleted. The comitology meeting will be held on 11 July and, depending on whether a vote is taken, there may be a follow-up meeting in September. Stakeholders are invited to send any comments to Sue Harrison ([Sue.Harrison@decc.gsi.gov.uk](mailto:Sue.Harrison@decc.gsi.gov.uk)) and Arina Cosac ([Arina.Cosac@ofgem.gov.uk](mailto:Arina.Cosac@ofgem.gov.uk)) by Wednesday 3 July.

## **6. Incremental capacity blueprint**

**6.1** Ofgem (Annick Cable) gave an update on the work being done on incremental capacity. The CEER blueprint on incremental capacity was published on 23 May and is the result of a central conclusion of the CEER European Gas Target Model. A CEER-ACER workshop was held on 3 June where there was broad support for the blueprint and no fundamental differences raised. Clarification was sought by several participants on the interaction between tariffs, the economic test, and the different designs of allocation procedures.

**6.2** In terms of next steps, CEER will be handing over the incremental capacity blueprint to ACER. There are no plans to develop a separate Network Code or Framework Guideline but ACER is expecting to work amending the Network Code on Capacity Allocation Mechanisms (CAM), which currently only covers existing capacity. By end November this year, ACER intends to give ENTSOG a proposal to draft the amendment to CAM.

**6.3** As this is a new type of process, unlike the standard FG development process, stakeholders are encouraged to feed in their comments. The ACER public consultation on tariffs (17 July until 17 September) will include questions regarding incremental capacity. There are also two possible events being held by ACER where stakeholders can engage on this issue. ACER is organising an event in early August on tariffs, and there will be time for discussing tariff-related aspects of offering incremental capacity. It is likely that a second event is held in early September to explore the tariff aspects of the blueprint. Ofgem will inform the stakeholder group of any forthcoming events.

## **Participants list**

<b>Name</b>	<b>Organisation</b>
Nevile Henderson	BBL Company
Mark Dalton	BG Group
Donal Kissane (dial in)	BGE(UK)
Andrew Pearce	BP
Helen Stack	Centrica
Antonio Mazzoni	CSL
Jonah Anthony	DECC
Sue Harrison	DECC
Saleha Dani	DECC
Fred Frazer (dial in)	DETI NI
John Costa	EDF Energy
Arben Klllokoqi	EDF Trading
Colin Lyle	EFET
Julie Cox	Energy UK
Richard Fairholme	EON
Felicity Bush	ESBI
Paul Woolley	ExxonMobil
Avian Egan (dial in)	Gaslink
Alex Barnes	Gazprom
Robert Sale	IUK
Darren Reeve	IUK
Pavanjit Dhesi	IUK
Chris Logue	National Grid
Matthew Hatch	National Grid
Mike Thorne	National Grid
Debra Hawkin	National Grid
Christine Gilmore (dial in)	NIAUR
Pamela Taylor	Ofgem
Rob Mills	Ofgem
Lisa Martin	Ofgem
Nathan Macwhinnie	Ofgem
Annick Cable	Ofgem
Clement Perry	Ofgem
Alena Aliakseyeva	Ofgem
Steve Rose (dial in)	RWE
Gerry Hoggan	Scottish Power
Nick Wye	Gas Forum
Martin Baker	Xoserve