

Gas Transmission Charging Review launch event: Q&A

10.00am - 12.30pm, 8 July 2013

Ofgem, 9 Millbank, London

On 8 July 2013 we held an event in Millbank to launch the Gas Transmission Charging Review (GTCR). After a series of presentations, aimed to set the context and drivers for the review, we opened the floor to the stakeholders to ask questions and make comments. A number of questions were asked, including those relating to the scope, timing and potential implementation of the GTCR, and also those relating to the impact of the incoming EU Framework Guidelines on Harmonised Transmission Tariff Structures (FG). The discussion is summarised below¹.

31 external stakeholders attended the event in person, whilst a number of other stakeholders attended via teleconference. A list of known attendees can be found in the Annex².

Scope of the GTCR

- Q.** The presentations have been mainly focussed on arrangements at interconnection points; will the scope of the review cover all entry and exit points?
- A. Ofgem:** Yes, although developments at interconnection points are part of the key drivers for the GTCR, we'd expect the review to consider the arrangements at all points.
- Q.** Should the review take account of future developments, such as the potential rise in shale gas production? As such, should connection arrangements and charges be in scope?
- A. Ofgem:** Although we want to ensure that the charging arrangements are 'future-proofed', we do not envisage that connections will be in the scope of the review. If evidence emerges that connection arrangements need to be reassessed, we would consider the need to progress this through a different work stream. However, we welcome stakeholder views on this in their responses to our Call for Evidence.
- Q.** Will the review take account of lessons learned from electricity charging? For example, could a different proportion of costs to be allocated between entry and exit, as is the case with electricity?
- A. Ofgem:** We note that the draft FG do not prescribe a certain split between entry and exit costs. Although at this stage we would not be able to say whether a non 50:50 split is appropriate, we would welcome views and evidence from stakeholders in their responses to our Call for Evidence.

Implementation of GTCR proposals

- Q.** Shouldn't this be a Significant Code Review (SCR)?
- A. Ofgem:** The method of implementation will depend on the outcomes from the Call for Evidence. We tend to launch only one to two SCRs per year. If the Call for Evidence suggests to us that a SCR might be the most appropriate route, we would consult on this decision first.

¹ Please note that the questions and answers below are not a transcript; instead they summarise the points raised and our responses.

² Due to technical issues with the teleconferencing facilities, we do not have a full list of those who attended via teleconference.

Q. If this is not a SCR, would Ofgem release 'guiding principles' to minimise the risk of industry putting in a lot of effort to develop proposals that could then be vetoed.

A. *Ofgem*: Yes.

Impact and timing of the implementation of the FG in GB

Q. What is the timing for the implementation of the FG in GB? Would Ofgem look at implementation at interconnection points only first, before considering whether the proposals should extend to domestic points?

A. *Ofgem*: One of the key drivers for the GTCR is to examine whether the changes required at our interconnection points should also be made at our domestic points. Given that implementation of the Network Code on Tariffs will not be complete until 2017, we do not expect that we would have to push on with implementation at interconnection points before considering implementation at all points.

Q. Would having a 'dual regime', where arrangements at interconnection points and domestic points differ, really be practical, given that a lot of the FG requirements appear to apply to all entry and exit points, and not just interconnection points?

A. *Ofgem*: This is something we would like to establish through our Call for Evidence, and we welcome views and evidence in this area; particularly any quantitative evidence concerning the impact of implementing FG proposals at all entry and exit points. However, we note that there are still a lot of areas where the FG requirements currently only apply to interconnection points, so a 'dual regime' is technically possible.

Q. When will Ofgem make the decision about whether FG requirements at interconnection points should extend to all entry and exit points?

A. *Ofgem*: This will be established as the GTCR progresses.

Q. Has ACER come to a conclusion about the treatment of discounts for gas storage charges under the FG, and the degree of harmonisation in this area?

A. *Tom Maes, ACER*: Work is still ongoing in this area. However, the aim is to ensure there is a level playing field across Europe and harmonisation is therefore desirable.

Q. Is the aim to harmonise methodologies or harmonise charges?

A. *Tom Maes, ACER*: Harmonise methodologies; you could never have truly harmonised charges due to differences in variables such as Transmission Operator allowed revenue.

Q. What is the point in harmonising methodologies if there will be different charges anyway, and therefore probably no impact on competition?

A. *Tom Maes, ACER*: It removes certain discriminations and therefore creates a more level playing field.

Impact of variable capacity prices on existing capacity holders

Q. An outcome of the GTCR, and the implementation of the FG, could be charges for long term capacity becoming variable at all entry and exit points. Should examining the impact of variable capacity charges on existing capacity holders be part of the scope of the review?

A. *Ofgem*: We are not currently at the stage to say that any one proposal is the way forward and that examining the impact of this proposal should be part of the scope of the GTCR. However, if we were to develop proposals following the Call for Evidence, we would certainly examine the impact these proposals. If the proposals were of a material nature, it may be the case that an impact assessment would be required.

Q. Under the FG, will existing holders of capacity at interconnection points be subject to variable prices, or will there be some form of grandfathering?

A. *Tom Maes, Acer:* The details of the FG have not been 100% nailed down. However, it may be the case that they are not prescriptive about this and that this detail is contained in the Network Code. There is still some development time before implementation of the Network Code in 2017.

Q. Does National Grid Gas (NGG), through its work for ENTSOG³, have any views on the potential grandfathering of capacity payments for existing capacity holders?

A. *Debra Hawkin, NGG:* The issue is definitely on the agenda and is currently being worked through. However, we are not yet at a stage to say where it will end up.

³ The European Network of Transmission System Operators for Gas (ENTSOG): <http://www.entsog.eu/>

Annex: Attendees

Organisation	Name
Centrica	Chris Wright
Centrica Storage Ltd	Anthony Miller
CER	Colm O'gormain
CREG / ACER	Tom Maes
Dong Energy	Jane Cooper
E.ON	Peter Hartwell
E.ON	Richard Fairholme
EDF Energy	John Costa
EDF Energy	Natasha Ranatunga
Energy UK	Julie Cox
ESB International	Felicity Bush
Gazprom M&T	Ed Humphreys
Gazprom M&T	Richard Lea
GDF Suez Infrastructures	Laurent Percebois
Interconnector UK	Robert Sale
Interconnector UK	Pavanjit Dhesi
NGG NTS	Malcolm Arthur
NGG NTS	Steve Fisher
NGG NTS	Colin Williams
NGG NTS	Debra Hawkin
Northern Gas Networks	Jon Trapps
Ofgem	Andy Burgess
Ofgem	Judith Ross
Ofgem	Alex Whitmarsh
Ofgem	Nathan Macwhinnie
Ofgem	David Beaumont
Ofgem	Bogdan Kowalewicz
Ofgem	Tom Corcut
Ofgem	Lewis Hodgart (via teleconference)
Ofgem	James Thomson (via teleconference)
Petronas Energy Trading	Rekha Theaker
Pöyry	Angus Paxton
RWE Supply and Trading	Stephen Rose
RWE nPower	Charles Ruffell
Scottish Power	Haren Thillainathan
SGN	Paul Mitchell
Statoil	Nahed Cherfa
Storenergy UK	Samia Adel
Waters Wye Associates	Nick Wye
Wales and West Utilities	Steven Edwards