

## Changes to the Gas Day

Ofgem<sup>1</sup> open meeting on aligning the Gas Day in Great Britain ("GB") with Europe.

3 July 2013  
Ofgem, 9 Millbank,  
London SW1P 3GE  
3-4:15pm

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### 1. Welcome and introduction

1.1. The chair opened the meeting under the Chatham House Rule, set out the running order for the afternoon and welcomed participants.

1.2. The purpose of the meeting was twofold:

1.2.1. First, to set out Ofgem's initial thinking regarding implementation of the change to the Gas Day and for National Grid to present on UNC impacts from the change to the Gas Day.

1.2.2. Secondly, to allow attendees an open forum to air any thoughts, concerns or questions at an early stage in the implementation process.

### 2. Department of Energy and Climate Change ("DECC") presentation

2.1. DECC briefly explained the need for implementing the changes to the Gas Day: as the United Kingdom ("UK") and European Union ("EU") are increasingly reliant on gas imports, it is important to ensure that we maintain harmonised gas markets and network codes.

### 3. Ofgem presentation (first half)

3.1. The chair provided a more detailed presentation about the change to the Gas Day required by European legislation and Ofgem's current thinking on the high-level work streams required to implement the change.

3.2. Why, What and When Change?

3.2.1. The chair gave an overview of why the GB Gas Day must be changed, what the change is and when the change must be made by.

3.2.2. In order to comply with the Capacity Allocation Mechanism ("CAM") and Gas Balancing in Transmission Systems network codes, GB must alter its Gas Day across the whole network to run from 5:00 to 5:00 UTC the following day in winter time (and from 4:00 to 4:00 UTC the following day when daylight saving is applied) instead of GB's present system of 6:00 to 6:00 the following day.

3.2.3. The change must be implemented by the deadline for implementing the CAM network code of 1 November 2015. The chair noted that National Grid Gas ("NGG") has proposed an implementation date in the Uniform Network Code ("UNC") of 1 October 2015 to align the change to the revised Gas Day with the start of the new gas year immediately before the CAM implementation deadline. There were no industry comments on NGG's proposed implementation date for changes to the UNC.

3.3. GB Legislation and Licences

<sup>1</sup> In this document, the terms "Ofgem" and "Authority" are used interchangeably. The "Authority" means the Gas and Electricity Markets Authority. "Ofgem" is the Office of the Authority.

- 3.3.1. The chair noted Ofgem's current intention that this work stream will be Ofgem-led, but with the potential that it may be Ofgem- and DECC-led.
- 3.3.2. The chair noted one legislative change necessary to comply with the Gas Day in CAM, namely to the Gas (Calculation of Thermal Energy) Regulations 1996 (as amended). Ofgem currently intends to change the definition of "gas day" in these regulations with consent from the Secretary of State.
- 3.3.3. Ofgem has two current intentions regarding licences:
  - 3.3.3.1. First, to review and make any necessary updates to licences to reflect the new Gas Day. Such changes to follow the usual licence modification process.
  - 3.3.3.2. Secondly, to consider including a licence condition for transporters (including distribution), interconnectors and shippers to ensure their arrangements and processes align with the new definition of the Gas Day.
- 4.3.4 The chair gave a brief overview of Ofgem's licence modification process.
- 3.4. Industry codes work stream
  - 3.4.1. The chair noted Ofgem's current intention that this work stream be largely industry-led, but that this may change depending upon progress.
  - 3.4.2. The chair noted two industry codes likely to require changes to reflect the revised Gas Day: the UNC and the independent gas transporters ("iGT") UNC. The chair then noted that NGG is leading on the changes to the UNC and that a similar process should be led by an iGT for the iGT UNC.
  - 3.4.3. UNC: The chair noted that NGG has raised modification "0461: Changing the UNC Gas Day to Align with the Gas Day in EU Network Codes." This has been sent to a transmission workgroup to discuss (with the first meeting being on 4 July 2013) and work up a proposed solution (e.g. which parts of the UNC should be changed and how). The work group will report to the UNC modification panel in December 2013 with proposed modification solution.
  - 3.4.4. At this point the chair invited NGG to give its presentation in relation to UNC modification proposal 0461.

## 4. NGG presentation

- 4.1. NGG presented in more detail about UNC modification proposal 0461 (for the full details of this presentation, please see the slides provided by NGG). NGG notes that this modification is a "bare bones" modification proposal to encourage industry participants to develop the right solution(s) for all parties concerned. Documents in scope include the UNC and associated documents. Documents out of scope include individual licences, contracts and agreements. The high-level development plan is currently scheduled to take 11 months with the goal of developing a detailed modification proposal and submitting it to the UNC modification panel. The workgroup's first meeting was scheduled for 4 July 2013. The workgroup will work on its own, independent of the attendees of this open meeting, unless there is a strong preference to combine the two groups.
- 4.2. NGG noted that the changes to the Gas Day will have three main impacts on the UNC:
  - 4.2.1. The UNC current definition, which is 6:00 to 6:00, but 05:00-05:00 UTC by the European definition.

4.2.2. UNC times that are defined by the start/end of the Gas Day will require changing, in addition to the definition of the Gas Day.

4.2.3. UNC process times will be the most complex change associated with the Gas Day. There are a number of time references contained within UNC. NGG posed the question of whether they all have to change or can just some of them be changed. The workgroup will assess this question and these two main options for implementation and will report back on their conclusions at a future date.

## **5. Ofgem presentation (second half)**

5.1. The chair resumed the presentation by Ofgem, noting that Ofgem's current intention is that a similar process to that being undertaken for the UNC should also be undertaken for the iGT UNC with the process to be led by iGTs.

5.2. Wider industry impacts work stream:

5.3. The chair noted Ofgem's current intention that this work stream be largely industry-led, but that this may change depending on progress.

5.4. The chair noted that DECC: (i) has an interest in overall compliance with CAM; and, (ii) is the lead for the offshore production regime.

5.5. The chair noted some examples of documents that may require amending due to changes in the Gas Day, including: industry contract terms (on and offshore); meter validation/telemetry equipment/metering equipment; demand forecasting/estimation; data flows and exchange; timings of business transactions; claims validation agreements; employment contracts; capacity nominations/outage/OCM deadlines; and IT systems.

5.6. The presentation concluded with a discussion about the ongoing implementation process. It was agreed to hold another meeting in 6 to 8 weeks from this open meeting.

## **6. Open Floor**

6.1. Following the Ofgem and NGG presentation, the meeting had an open floor for industry discussion. This section summarises the main points raised.

6.2. An attendee asked if the gas day changes would affect just the National Transmission System processes or all UNC times. It was confirmed that the change will cover all of UNC.

6.3. An attendee asked about potential wider industry impacts from the changes, and other areas that might need to change. It was confirmed that the changes could affect other agency agreements, not just claims validation.

6.4. An attendee commented that he was supportive of holding further meetings, and added that he could not currently see a way of implementing the changes smoothly, particularly with regards to offshore and non-EU assets further upstream.

6.5. An attendee asked if it remained possible to opt out of the changes, as they appear to entail a lot of implementation cost and hassle for what they currently saw as no discernible reward. It was confirmed that the changes are mandatory, have been agreed by the UK government, and must be implemented. The penalties for not implementing the changes could be an infraction for the UK government (resulting in large daily financial penalties), and potentially enforcement action by Ofgem.

- 6.6. An attendee asked if the third work stream is in place yet and who will take charge of it. It was confirmed that the purpose of the open meeting was to engage industry and encourage industry to start this work stream.
- 6.7. An attendee supplied some data from a cost analysis his company had completed on implementing the changes: it will cost a minimum of £5 million to implement.
- 6.8. An attendee suggested that one possible way to avoid changing the Gas Day was for the UK to change time zones to align more closely with mainland Europe.
- 6.9. An attendee asked which arm of the government had agreed to the changes. It was confirmed that the parties involved were the European Commission (the "Commission"), the Agency for the Co-operation of Energy Regulators ("ACER"), various network groups, and then the member states voted on the changes. Regulatory Authorities (Ofgem and its equivalents) are undertaking most of the work.
- 6.10. An attendee asked whether there are proposals for the portion of the industry not presently covered by network codes. Why, if not mandated, are people using 6:00-6:00 as their reference point, and how significant and difficult to change would that timing be? The question was noted for meeting attendees to consider.
- 6.11. An attendee observed that it is possible to implement these changes "downstream" in the UNC, but that he did not consider it feasible "upstream" in regards to claims validation services. Changing the Gas Day will require an amendment to the Claims Validation Information Agreement (CVIA), which can only be achieved by securing the unanimous consent of hundreds of parties to it. As there are parties to the CVIA who are not members of the EU and therefore not bound by the Third Package, the challenge of convincing them to modify their arrangements will be significant. He further noted that the Claims Validation Services Agreement (CVSA) will also need to be amended, but this process is much less likely to be problematic.
- 6.12. An attendee noted that there are de facto processes for dealing with situations where there are different Gas Days now and wondered whether such processes for dealing with situations where upstream might not change could be considered.
- 6.13. One attendee noted that their interconnector dealt with such situations by looking at two different Gas Days and accommodating them with linepack.
- 6.14. An attendee observed that the UK and Ireland face particular challenges with the Gas Day changes compared to other EU countries due to our time zone. He drew a parallel with the example of Norway's imports into the UK.
- 6.15. An attendee asked who will be funding the changes and whether there would be an impact assessment on costs. Ofgem confirmed that it was interested to hear industry's views and proposals and that it would consider proposals and that an impact assessment was something that it might consider.
- 6.16. An attendee asked about other EU member states that would have to make similar changes. It was discussed that most member states are already on a 5:00 to 5:00 UTC Gas Day, but the UK and Ireland will have to make the changes, as well as Spain and potentially eastern countries.
- 6.17. When asked for views on whether wider publicity of the change was needed, one attendee observed that the general public would probably not be aware yet, but when they were they would likely not react favourably.

- 6.18. An attendee asked how confident we can be that other EU and non-EU countries will be able to implement their changes by the proposed deadline. It was confirmed that we are unable to speculate on this subject.
- 6.19. However, one attendee observed that Norway would probably implement the changes despite not being in the EU. Another attendee noted that based on that his communications with a Norwegian counterpart, the counterpart had been unaware of the need for a change in the Gas Day until he spoke to them.
- 6.20. An attendee asked if there was a possibility of delaying the implementation date if it became clear that the date was not feasible for GB and/or other member states. It was noted that there is not a mechanism for delaying the implementation deadline, but that there is a mechanism for amending the European network codes. However, it was suggested that the Commission may not start infraction proceedings against multiple member states if there was a sincere need for more time to implement the changes.
- 6.21. An attendee commented that there had not been an opportunity to lobby against the Gas Day change before it became mandatory, and suggested that DECC ought to be lobbying for a delay in the implementation date. It was noted that European network codes were an EU-wide negotiated package with an overall benefit and that whilst there maybe a few aspects that each member states' industry views less favourably than others, we cannot pick and choose which aspects to adhere to. The process for comitology was agreed to avoid each member state being able to veto certain aspects so that a package could be agreed.
- 6.22. An attendee asked if the UK gas market was competitive and open and, if so, why such changes were justified. It was noted that the UK gas market is considered one of the most competitive in the EU, and the changes are designed to improve the markets in other EU member states.
- 6.23. An attendee asked what the point of the Gas Day changes is. It was discussed that while details of the Third Package may be frustrating for GB, it is overall a good policy change to harmonise with the rest of the EU internal market and is important for us to participate in.
- 6.24. It was observed that change needs to happen, and the approach to consider how to do this.
- 6.25. An attendee asked how it is proposed to persuade non-EU stakeholders to implement these changes. It was observed that UGP had completed a consultation process and agreed to the changes.
- 6.26. An attendee noted that very few other member states have significant upstream like GB and a concern is that GB industry cannot do anything about this new requirement to change. It was discussed that if the process of implementation threw up specific concerns these may be discussed with the Commission.
- 6.27. An attendee noted that it would be useful to consider a plan for each work stream and the work under it that would be necessary with dates.

## **7. Next Steps and Summary**

- 7.1. The chair summarised the points raised into three main categories: (i) costs; (ii) the third work stream and the need for clarity regarding offshore, upstream and contractual matters; and, (iii) that further meetings would be useful.

- 7.2. The chair invited attendees to send any written comments to Ofgem, and advised that notes and the slides would be sent out following the meeting. Comments can be sent to [clare.cameron@ofgem.gov.uk](mailto:clare.cameron@ofgem.gov.uk) and [jessica.housden@ofgem.gov.uk](mailto:jessica.housden@ofgem.gov.uk)
- 7.3. Another meeting will be scheduled in 6 to 8 weeks of this open meeting.