

# Changing the Gas Day

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Nick Wye

Feedback from the Gas Forum  
and Oil & Gas UK



# Meeting held 29<sup>th</sup> August '13

## **Attendees**

- Gas Forum members
- Oil & Gas UK members
- Energy UK
- MEUC
- Interconnector UK
- Bacton Agent

# Understanding of Legal Obligations

- Capacity Allocation Mechanism (CAM) Network Code - 'gas day' means the period from 5:00 to 5:00 UTC the following day for winter time and from 4:00 to 4:00 UTC the following day when daylight saving is applied  
*Note: the Code applies to the procedures at IPs on transmission systems*
- Balancing Network Code – no explicit definition of 'gas day' but reference to it including references to UTC e.g. nomination times.  
*Note: again this applies to transmission systems*
- Interoperability and Data Exchange Code – no explicit definition of 'gas day' but reference to it, with no determination of timing
- Ultimate aim of the third package is to further progress to an internal European gas market

# A few facts

- GB Gas market is the most developed and competitive in Europe
- GB market first to embrace concept of competitive gas markets and in many ways has become a market leader
- GB market has been operating on the basis of a 06.00 to 06.00 Gas Day for decades
- Industry arrangements, both offshore and onshore, have developed in line with the Gas Day
- There are a large number of offshore parties working under a variety of arrangements developed over several decades – with various levels of sophistication, IT systems and contracts
  - 26 operators and 32 non-operators (a number of which are non-EU)
- For many years, but particularly since the commencement of the IUK interconnector in 1998, GB has been operating on a different time zone from “connected” markets

# A few more facts

- It is viewed by many that the changes “enforced” by the various network codes will not improve arrangements in GB’s market, but understand that they are likely to have a positive effect on less well-developed national markets
  - In theory, this should have positive effects on continental trading and physical flow of gas – responding to market signals
- It is expected that IUK (and probably BBL) will introduce capacity bundling, as required under CAM, as discrete products – bundled product at Bacton entry/exit and bundled product at Zeebrugge entry/exit
  - If this is the case, then the reality is that, apart from the creation of new products, the basis on which IUK will manage commercial arrangements will be unchanged and can continue as it currently is, i.e. distinct time zones
- There will be costs associated with any variation of the Gas Day
- It is unclear how a change to GB’s Gas Day will afford any benefits to GB’s market and its customers

# Costs of change

- Downstream
  - Most IT changes will be connected to central transporter system
    - Need early notice of central system changes
    - Individually costs likely to be tens of thousands of pounds
    - Contractual changes will be numerous – time issues
- Upstream
  - IT changes - difficult to forecast as many systems are bespoke and have been introduced over many years
    - Rough indications (based on limited sample) of between £50m to £100m.
  - Contractual changes – hundreds of contracts with varying appetites for change – a lengthy and potentially costly process (man hours)
    - Changes to bilateral sales agreements; balancing agreements; allocation arrangements; and transportation agreements
  - Meters – many will require manual modification
    - Limited amount of manpower within metering manufacturers
    - Limited access offshore (helicopter seats, beds offshore)
    - Legal requirement for DECC personnel to “approve” any modifications

# Conclusions

- A robust case for changing the Gas Day has not been made
- The GB gas market can continue to operate on a different Gas Day from the continent without any detriment to the development of the EU's internal gas market
- GB gas market will implement “all” other aspects of the various Network Codes, albeit not without cost and limited direct benefit to GB's market – penalised for being the “first mover”
- Costs of change will not be insignificant and ultimately will be borne by the GB customer
- Limited appetite for change among off-shore parties, particularly of non-EU origin
- Timetable for change is unrealistic and unlikely to be met
- Can offshore operate on a different time zone from downstream?
  - Undesirable, as it could lead to errors and ultimately costs
  - Potential safety issues?

# Recommendations

- Recommend that government seeks a derogation or change to the CAM code to:
  - a) Remove the obligation to change the Gas Day in GB, because there is no need to; or, as a minimum,
  - b) Defer the implementation of the Gas Day until such time as it has been shown that a change would benefit GB's customers