

DECC – OFGEM EUROPEAN STAKEHOLDER GROUP FOR GAS

10th Meeting – Friday 6th September

Chair: Rob Mills (Ofgem)

Minutes

Summary of Action Points

- **Action** on NGG to produce a short note on the issue of capacity at Bacton.
- **Action** on Ofgem to consider how we as GB stakeholders will assess the impacts of the Tariffs FG on stakeholders.
- **Action** on Ofgem to prepare and coordinate one-page briefings on the main points to be discussed at the next meeting.

1. Welcome

1.1 The chair (Rob Mills) opened the meeting and welcomed participants.

1.2 Arina Cosac (Ofgem) was thanked for her work with the stakeholder group over the past 12 months and Daniel Tattersall was introduced as the new analyst within the European Wholesale Markets team in Ofgem, who will be taking over Arina's responsibilities.

2. Review of Actions from 9th Meeting

2.1 There was an action on Ofgem to set up dates for the Tariffs sub-group: this was completed and the sub-group met on 22nd August. An update from the sub-group meeting can be found below under item 6.2. There was also an action on DECC/Ofgem to have the Tariffs FG on the agenda for the next meeting: this was included on the agenda, and the discussion can be found under item 6 below.

2.2 There was an action on Ofgem to set up a meeting between all parties (regulators and TSOs) to discuss the implementation of the Capacity Allocation Mechanism (CAM) Network Code between GB, Belgium and the Netherlands. This meeting is organised for the 25th September, and Ofgem will report on the progress made at the 11th stakeholder group meeting.

3. PRISMA Presentation and Q&A

3.1 Chris Logue (National Grid) introduced PRISMA - a gas capacity allocation trading platform designed to operate in accordance with the CAM Network Code. He reminded the group that there is still time to provide comments to National Grid Gas' Open Letter on the adoption of PRISMA as a Common Booking Platform which is open

until the 20th of September (*The open letter can be found at the following link: <http://goo.gl/tbnMW1>*).

- 3.2** Tobias Troeger (PRISMA) delivered a presentation to the group ([see slides here](#)). The joint PRISMA primary capacity allocation platform was launched in April 2013 by nineteen gas transmission system operators from seven European countries. The platform will allow for early implementation of the CAM NC.
- 3.3** The presentation focused on the connectivity of PRISMA and the benefits it offers to both TSOs and shippers. Tobias Troeger also introduced the benefits and upgrades of PRISMA primary which will go live on 1st of October 2013, as well as the benefits of the secondary market capacity trading functionalities that will be integrated as a separate module into the existing platform at a later date
- 3.4** Tobias Troeger informed the group that new General Terms and Conditions (GTCs) of PRISMA will come into force on 1st January 2014 to reflect the upgrades to the primary market functionalities and the introduction of the new secondary functionalities. He mentioned that there has been a constant process of engagement with the regulators and TSOs on the new GTCs. A public consultation, in the form of a questionnaire, has also been launched on the current functionalities of the platform as well as the upcoming GTCs and is open until 16th September 2013.
- 3.5** A Q&A session followed. Helen Stack (Centrica) asked if PRISMA would be able to offer unbundled unmatched capacity and National Grid replied that PRISMA can offer the unbundled unmatched capacity in parallel to the bundled product.
- 3.6** Chris Logue (National Grid) mentioned that National Grid had considered alternatives to PRISMA but found that it was the best option available. National Grid is likely to join PRISMA early next year. It would offer capacity to the market by 2015 in time the CAM implementation deadline. IUK added that they are also considering joining PRISMA. Colin Lyle (EFET) highlighted that EFET members are encouraged by the progress of having one common booking platform and their only concern is over differences between TSOs' Terms and Conditions. National Grid is aware of this and is taking it into consideration.

4. CAM Implementation

- 4.1** Michael Jenner (Ofgem) delivered a presentation on managing entry capacity at Bacton from UKCS and from BBL and IUK which will be covered by the CAM NC from November 2015. The focus of the presentation was on the possible methodologies that could be employed to split capacity sales across the two types of auctions (UNC and CAM-PRISMA) at the Bacton interconnection point ([see presentation here](#)).
- 4.2** IUK representatives questioned whether there is a physical constraint at Bacton capacity if UKCS and the interconnectors were to flow into Bacton at maximum. Alex Barnes (Gazprom) noted that the issue of splitting Bacton entry capacity sales across two types of auctions due to the implementation of CAM does not change the underlying capacity situation at Bacton. Steve Rose (RWE) pointed out that the issue

of constraint capacity had already been raised at the February meeting of this group (see minutes from the 7th meeting [here](#)).

4.3 Action on NG to produce a short note on this issue summarising the capacity situation at Bacton.

5. REMIT Presentation

5.1 Alasdair Yuille (Ofgem) delivered a presentation introducing REMIT, its aims and scope in terms of what should be reported as well as the resultant actions which can be carried out under REMIT. Ofgem, as the NRA for the UK, is responsible for enforcement (since June 2013) and registration of market participants. ACER is responsible for market monitoring. Ofgem also has the power to monitor but not the obligation to undertake this role.

5.2 In terms of timescales, REMIT will soon enter Phase 2 of the implementation as the Implementing Acts will be published. However, a date for this is still unknown.

5.3 REMIT requires registration to begin, at latest, 3 months after the implementing acts are adopted. Ofgem may look to open registration before this. Market participants will register through an online registration system currently being developed by ACER and tested by NRAs. Ofgem may look to invite a small number of volunteers to help test the system this autumn. A user manual explaining how to use the system will be published by ACER. The full presentation on REMIT can be found [here](#).

5.4 Chris Logue enquired whether the draft of the Implementing Acts will be shared with stakeholders. Alasdair Yuille explained that this process depends on the European Commission and that regulators do not have the authority to share these drafts yet.

5.5 The issue was also raised of what would constitute a 'significant' change in wholesale prices to warrant reporting certain private information, and how to ensure consistency in this area. Alasdair Yuille explained that Ofgem is aware of this issue and such decisions would have to be made on a case-by-case basis.

5.6 To contact the REMIT team on any questions or comments regarding the implementation of REMIT, please use the REMIT@Ofgem.gov.uk email address or contact Alasdair Yuille directly at Alasdair.Yuille@ofgem.gov.uk.

6. Tariffs Framework Guidelines and Incremental Capacity

6.1 Richard Miller provided some background on Tariff Framework Guidelines. He reminded stakeholders that 80% of the FGs have been provisionally agreed by ACER, with cost allocation being the outstanding issue. ACER launched a consultation in July on the Tariffs FG which also includes some questions on tariffs aspects of the incremental capacity. The consultation is open until 16th September and stakeholders were encouraged to feed in their comments.

6.2 Alex Barnes reported from the Tariffs sub-group meeting of 22nd August where the Tariffs Framework Guidelines and the tariffs aspects of incremental capacity were discussed. Concerns on the impact of the floating price were reiterated at the sub-

group meeting. Concerns were also raised about the sanctity of contracts, e.g. current contracts switching from fixed price to a floating price when the Tariff Network Code enters into force.

- 6.3** Some shippers raised concerns about floating prices and how this would discourage long-term bookings. IUK consider this a real concern for TSOs such as IUK without a captive demand. IUK and some stakeholders, such as the EFET representative, would like fixed prices to be an option in the FG to deal with their concern.
- 6.4** Stakeholders supported the continuation of short haul tariffs. IUK also supported this and asked Ofgem if the assumption was correct that it will continue to be permitted. An explicit reference in the FG was suggested as helpful. Ofgem (Richard Miller) said the FG was silent on this which suggested it could be possible to allow it to continue. Ofgem said it was speaking to ACER about this particular issue.
- 6.5 Action** on Ofgem to consider how we as GB stakeholders will assess the impacts of the Tariffs FG on stakeholders.
- 6.6** Alex Whitmarsh (Ofgem) provided a quick update on the gas transmission charging review that Ofgem launched on 24th June. The consultation closes on 16th September and Ofgem is keen to understand from stakeholders the underlying concerns and what should be done in order to resolve these. He highlighted that it will benefit the GB market to have the discussions as soon as possible as we could then think about early implementation of the European Tariffs Network Code. In terms of next steps, Ofgem will review the consultation responses and will identify stakeholders' concerns and how best to address these.
- 6.7** Annick Cable (Ofgem) provided an update on the incremental capacity work currently being led by ACER. There are several questions in the ACER Tariffs consultation on tariffs aspects of incremental capacity and Annick Cable encouraged stakeholders to contact Ofgem for any questions regarding these points.
- 6.8** At the tariffs sub-group meeting, stakeholders were keen to have more clarity on ACER's timetable regarding the incremental capacity work. Annick Cable explained that ACER is working on it and Ofgem will share this with stakeholders as soon as it is made available. There will be two separate work streams on incremental capacity within ACER: one on the amendment to be made in the CAM NC and a document giving guidance to ENTSOG thereon; the other on the additions to the Tariff Framework Guidelines relating to tariffs aspects of incremental capacity.
- 6.9** Annick Cable informed the group that ACER plans to provide guidance to ENTSOG on amending the CAM NC by 30 November. This guidance is not intended to be overly prescriptive. Where stakeholders have any concerns regarding the two work streams, Ofgem encourages them to elaborate on this in their consultation responses to ACER. In terms of stakeholder engagement, ENTSOG and ACER will each consult on the amendment to the CAM NC, in accordance with Article 7, EC Reg 715/2009.
- 6.10** Alex Barnes (Gazprom) and Neville Henderson (BBL Company) agreed that ACER's guidance to ENTSOG should not be too prescriptive. Neville Henderson highlighted

that BBL would appreciate having a similar text to the one added to the Balancing and CAM Network Codes specifying the nature of interconnectors.

7. Balancing Network Code – update from first comitology meeting

7.1 Jonah Anthony (DECC) informed the group that the first comitology meeting took place on the 11th July. Representatives from the Member States reviewed the text and have so far only reached Article 18. The latest text has been shared with the stakeholder group. A second comitology meeting will take place on the 1st and 2nd of October. Any comments should be passed through to Sue Harrison (Sue.Harrison@decc.gsi.gov.uk) and Jonah Anthony (jonah.anthony@decc.gsi.gov.uk) at DECC and to Ryan McLaughlin (Ryan.McLaughlin@ofgem.gov.uk) at Ofgem.

8. Gas Day update

8.1 Michael Jenner (Ofgem) provided a quick update on the gas day work. Ofgem is organising two stakeholder workshops to discuss the change in the gas day: on 11th September and 18th September.

8.2 David Cox (Gas Forum) highlighted that the Gas Forum met the previous week and has been working on the costs the change in the gas day will bring and will present at the meeting on 11th September.

9. Next Meetings and AOB

9.1 Alex Barnes suggested having an update on the Gas Target Model at the next meeting of the stakeholder group. Rob Mills agreed and mentioned that the work on the GTM has just started again at ACER and, as Ofgem is involved in this, it will be able to inform on the progress made at the next meeting.

9.2 Rob Mills suggested a way of increasing engagement within this stakeholder group would be to have one page briefings prepared ahead of each meeting summarising the background of the main points to be discussed. **Action** on Ofgem to prepare and coordinate this for the next meeting.

9.3 Next meetings of the DECC-Ofgem European stakeholder Group for Gas are proposed as follows:

Next: November 19th or December 2nd

February: Monday 3rd or Thursday 6th

April: Monday 7th or Thursday 10th

June: Monday 23rd or Thursday 26th

Stakeholders are invited to send their availability regarding these dates to Daniel Tattersall (Daniel.Tattersall@ofgem.gov.uk).

Participant list

Participant	Organisation
Nevile Henderson	BBL Company
Marshall Hall	BG Group
Andrew Pearce	BP
Helen Stack	Centrica
Guy Hannay-Wilson	Chevron
Carl Barry	Chevron
Roddy Monroe	CSL
Jonah Anthony	DECC
Richard Fairholme	E.ON
John Costa	EDF Energy
Catherine Nelson	EDF Trading
Colin Lyle	EFET
Clare Cattle-Jones	Energy Networks Association
Felicity Bush	ESBI
Paul Woolley (dial in)	ExxonMobil
David Cox	Gas Forum
Alex Barnes	Gazprom
Robert Sale	IUK
Pavanjit Dhesi	IUK
Stephen English (dial in)	Mutual Energy
Chris Logue	National Grid
Malcolm Montgomery	National Grid
Debra Hawkin (dial in)	National Grid
Rob Mills	Ofgem
Richard Miller	Ofgem
Michael Jenner	Ofgem
Annick Cable	Ofgem
Alasdair Yuille	Ofgem
Arina Cosac	Ofgem
Daniel Tattersall	Ofgem
Tobias Troeger	PRISMA
Steve Rose	RWE
Amrik Bal	Shell
Prashan Patel	Shell
Samia Adel	Sotrengy
Gareth Davies	Statoil
Nahed Cherfa	Statoil
Graham Craig (dial in)	Utility Regulator
Martin Baker	Xoserve