

11th DECC-Ofgem Stakeholder Group for Gas

2nd December, 14:30 – 17:00

Ofgem, 9 Millbank, London, SW1P 3GE

Chair: Rob Mills (Ofgem)

1. Welcome and follow up from 10th Meeting

- 1.1. Members were notified of the changes made to the minutes of the 10th stakeholder meeting, occurring within items 6.3 and 6.4 - thanks to contributions from IUK and EFET.
- 1.2. There was an action on National Grid to produce a short note on the issue of capacity at Bacton. This action was completed and discussed under item 3.
- 1.3. There was an action on Ofgem to consider how we as GB stakeholders will assess the impacts of the Tariffs FG on stakeholders. This was completed and discussed under item 5.
- 1.4. There was an action on Ofgem to prepare one page briefings on main points to be discussed at the next meeting. These were distributed prior to the meeting, with the briefing on Interoperability yet to be completed. There were suggestions to add a briefing on REMIT, and to adjust the wording on the Balancing brief to show that upstream production is affected by a Gas Day change, even if not required to apply the changes. A change to the CAM briefing to reflect concerns about costs was also requested.
- 1.5. **Action on Ofgem to finalise the interoperability briefing, prepare a REMIT briefing, and adjust the text of the Balancing and CAM briefings.**

2. Balancing

- 2.1. Sue Harrison (DECC) provided an update from the comitology process, which the Balancing NC passed through with a large majority on 02/10/13. The comitology process on the gas side has been generally positive, with the majority of the criticism focussing on the quality of the text.
- 2.2. There was a short discussion about the Gas Day change, Sue emphasised that there had been no support for any alterations to the code at Comitology. Ofgem stated that they have created an e-mail address gasday@ofgem.gov.uk and should there be sufficient interest from industry they would organise another open meeting on the subject.

3. CAM

- 3.1. Robert Sale (IUK) reported back from the meeting held on the 25th September between British, Belgian and Dutch parties (TSOs and NRAs) concerning the implementation of CAM. There is still much discussion over whether a 2 or 3 TSO bundle should be used. It was highlighted that the PRISMA booking platform will need upgrading to accommodate a 3 TSO bundle. The result of the meeting was an [open letter](#) published

by Ofgem, which led to the workshop discussed below in item 3.2. IUK expressed a preference to implement a 2 TSO bundle.

- 3.2. Nick Wye (Waters Wye Associates) provided an update from the CAM implementation workshop held on the 25th November. There were two main areas of discussion: 1) 2 or 3 TSO bundling – no firm decision was reached one way or the other and 2) the issue of how capacity at Bacton is sold given that CAM only applies in respect to interconnection points (and not to domestic entry points into the NTS). The way in which capacity is to be split needs further debate. Ofgem stated that the workshop had been helpful, and stakeholders were invited to send responses to the [open letter](#) by 12th December. Ofgem also encouraged stakeholders to get in touch if individual ad-hoc meetings would be useful. Stakeholders should note that no minutes will be circulated from the workshop on 25th November, but that the slides used are available [here](#).
- 3.3. In the general discussion of CAM that followed, Centrica questioned how the Bacton split will be taken forward given that it may not fit with IUK and BBL concept documents.
- 3.4. Gazprom M&T stressed the need to keep flexibility regarding Bacton capacity, and stated that a contractual solution should be possible given that there is no physical change taking place at Bacton.
- 3.5. EFET queried why the option of no split at Bacton had not been considered. Ofgem and NGG said that because CAM only applies at interconnector points (which here needs to be treated differently from domestic entry points such as UKCS flows), it does not appear to be a viable option, but welcomed any possible solutions.

4. Gas Target Model

- 4.1. Nathan Macwhinnie (Ofgem) presented some [slides](#) compiled by ACER (and used at the Madrid Forum) on the Gas Target Model (GTM). They covered the need for the GTM review, how it will aid the completion of the internal energy market, and the resultant benefits to consumers, as well as an update of the timescale of future GTM progression. [It should be noted that these slides are not necessarily representative of Ofgem views].
- 4.2. The GTM is occurring under the auspices of the ACER 'Bridge to 2025' work. It was noted that finalisation of existing NCs and their full implementation remains the top priority of ACER, the European Commission and all NRAs.
- 4.3. Stakeholders voiced concern over the GTM being an example of regulatory over-intervention.

5. Tariffs

- 5.1. Nathan also provided an [update](#) on the finalisation of the Tariffs, and final ACER approval of the Framework Guideline at the end of November. An important point to note is that there is flexibility for domestic points to continue to use a commodity charge to recover allowed revenue. Whether that flexibility will be taken up is to be considered as a part of the Gas Transmission Charging Review.

5.2. Stakeholders should note that the Tariffs sub-group is now merging with the Gas Transmission Charging Review (GTCR) stakeholder forum, with a meeting on the 4th December. For updates, please refer to <https://www.ofgem.gov.uk/gas/transmission-networks> or sign up to our Gas Transmission RSS Feed: <https://www.ofgem.gov.uk/feeds/36910/rss>.

5.3. Stakeholders were concerned about the floating nature of the payable price applicable to incremental and existing capacity.

6. Incremental Capacity

6.1. Alex Barnes (Gazprom M&T) provided an update on incremental capacity following a Q&A teleconference organised by ACER for industry stakeholders on the 7th November, where the proposed guidance was discussed.

6.2. This guidance is a lot less prescriptive than CEER's Blueprint.

6.3. The 12 month ENTSOG process on incremental will be in parallel with Tariffs to ensure that certain issues are treated consistently.

7. Madrid Forum Conclusions

7.1. Rob Mills (Ofgem) informed the group of the three main points from the Madrid Forum: (i) the Commission sees 2014 as the year of NC implementation and is gearing up to initiate infraction proceedings as necessary, (ii) the updates on the GTM as detailed in item 4, (iii) the Commission's increased funding to ACER for REMIT implementation.

7.2. Sue Harrison (DECC) also added that the public criticism of Germany's implementation of CMP guidelines shows that the Commission is looking for implementation to not just follow the NC, but also be enacted in the spirit of cooperation.

7.3. Shell added that the time given for implementation should be used to consider the best approach first, rather than implementing first and using the remaining time to iron out problems.

8. Network Code Implementation

8.1. Jonah Anthony (DECC) provided an update to the group of how DECC and Ofgem are planning to work together on implementation and enforcement of NCs, including on the instruments available to achieve this. The main points to note are that implementation should always be attempted through the lowest level of regulation possible, beginning with industry processes, then if necessary, code modifications, license modifications, then legislation.

8.2. National Grid suggested how the implementation process might proceed. It was proposed to set up 2-3 workshops from January to map out the necessary changes and decide how to break up the required UNC modifications into phases linked to the NC implementation timelines.

8.3. National Grid are keen to receive stakeholder feedback on how might be best to carry out the above.

8.4. **Action on National Grid to produce a note detailing the above process, including the scope and objectives of the 2-3 workshops.**

9. AOB

Rules for trading

- 9.1. There may be a new Framework Guideline arising out of the 'Rules for Trading' expert letter produced by ACER, which sets out how capacity should be bought and sold, and seeks to create consistent contracts with TSOs when buying bundled products.
- 9.2. Stakeholders were generally resistant to the idea of another Framework Guideline, and other NRAs and Member States have voiced scepticism over a new code NC. However, at the same time it was recognised that the lack of harmonisation in cross-border capacity products (particularly for bundled products) can be a barrier to efficient trading, and that amendments to existing NCs (e.g. to CAM) may be a preferable alternative.
- 9.3. The call for experts on the Rules for Trading will remain open until the 16th December.
- 9.4. Rules for Trading are likely to remain an important issue
- 9.5. **Action on Ofgem to put Rules for Trading on the next stakeholder agenda for a more substantive discussion.**

Scope of group

- 9.6. Ofgem said that due to the scope of the group now shifting as codes move towards implementation, the group's ToR should be reviewed.
- 9.7. **Action on Ofgem to redraft the ToR and distribute to stakeholders, with a fuller discussion on the ToRs and scope of the group to take place at the next meeting.**

Proposed dates for 2014 (all from 14:30 – 17:00 at Ofgem premises)

- Feb 6th
- April 7th
- June 26th
- August 26th
- October 27th

If you foresee a problem with any of these dates please contact

Daniel.tattersall@ofgem.gov.uk

Attendee list

David Bakker	BBL Company
Nevile Henderson	BBL Company
Donal Kissane (dial-in)	Bord Gáis
Andrew Pearce	BP

Helen Stack	Centrica
Roddy Monroe	CSL
Jonah Anthony	DECC
Sue Harrison	DECC
Richard Fairholme (dial in)	E.ON
Colin Lyle	EFET
Julie Cox (dial in)	Energy-UK
Felicity Bush	ESB
Alex Barnes	Gazprom M&T
Richard Lea	Gazprom M&T
Robert Sale	IUK
David Cox	London Energy Consulting
Chris Logue	National Grid
Alena Aliakseyeva	Ofgem
Feodora von Franz	Ofgem
Jessica Housden	Ofgem
Fabien Laroche	Ofgem
Nathan Macwhinnie	Ofgem
Lisa Martin	Ofgem
Ryan McLaughlin	Ofgem
Rob Mills	Ofgem
Daniel Tattersall	Ofgem
Victoria Volossov	Ofgem
Vanessa Sturman	Ofgem
Marshall Hall	Oil and Gas UK
Stephen Rose	RWE
Gerry Hoggan	Scottish Power
Amrik Bal	Shell
Samia Adel	Storeenergy
Christine Gilmore (dial in)	Utility Regulator
Nick Wye	Waters Wye Associates Limited
Martin Baker	Xoserve