



# Why the UK and GB market should not change its Gas Day

Marshall Hall, Oil & Gas UK  
Ofgem Gas Day event  
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## The case for keeping the existing GB Gas Day

- EU Network Codes do not require or mandate any change in GB Gas Day
- CAM applies to IPs only and explicitly excludes domestic networks
- UK can comply with EU legislation without changing the GB Gas Day
- Changing the Gas Day is costly for National Grid, shippers and producers
- Costs passed on to NTS users and indirectly, in part at least, to UK consumers
- No impact assessment or cost-benefit analysis has been done by DECC or Ofgem
- Proposed change would fail a full cost-benefit analysis
- UK terminal and offshore operators cannot meet proposed deadline (1/10/15)
- Unnecessary risks to operation and commercial integrity of NTS and NBP market if UK is forced to live with different gas days upstream and downstream

# EU Network Codes do not require GB Gas Day change

## CAM Network Code

- CAM applies to interconnection points only (Article. 2 (Scope), para. 1)
- Domestic entry/exit points are explicitly excluded
- No evidence of legislative intention to require change of domestic Gas Day

## Balancing Network Code

- Article 3 ('Definitions') refers to CAM Article 2 and introduces 21 other definitions
- Separate provisions for IPs (Art. 14-17) and for domestic points (Art. 18)
- Balancing NC is aimed at MS without entry/exit systems or daily balancing, not at UK

## UNC Mod 461 process *(raised by National Grid, as directed by Ofgem)*

- Due process being followed but it has not addressed all the relevant issues
- Narrow definition of 'relevant objective' without regard to wider impacts in GB market
- Extent of 'wider industry impacts' upstream have now become clearer

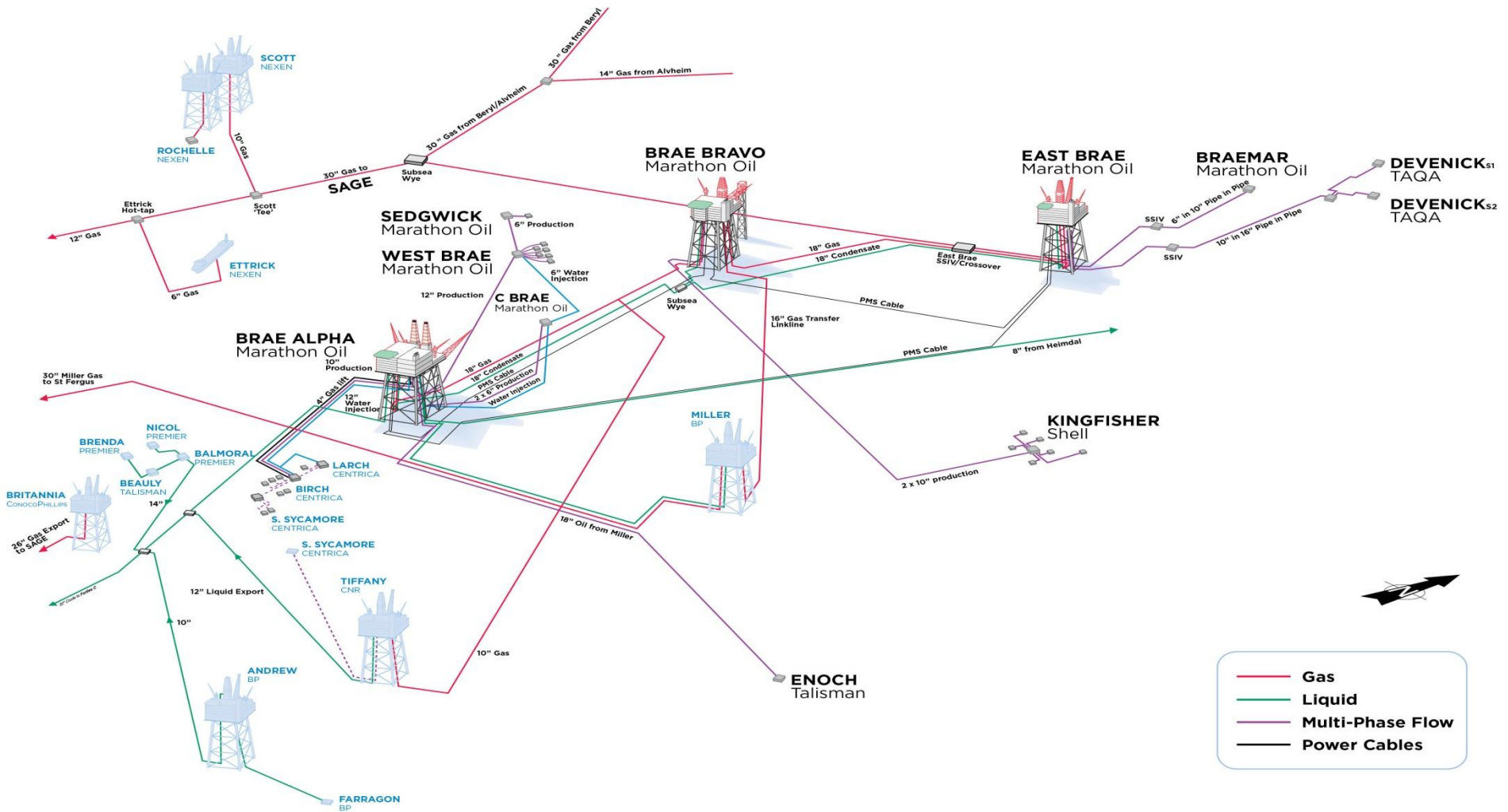
**Primary aim of EU Network Codes is to facilitate cross-border trading of gas at IPs**

## Impact on offshore operations

- UNC Mod 0461 would leave upstream Gas Day unchanged at 6am-6am
- No legal obligation for upstream to change its Gas Day from 6am-6am.
- Offshore production, gas processing, pipeline transportation, onshore gas processing and terminal operations
- 140 offshore fields, 61 equity producers, 27 different offshore operators, and 12 onshore terminals delivering gas into NTS
- Thousands of bilateral and multi-lateral commercial agreements: many pre-date the inception of the Network Code in 1996-97 and UNC in 2006
- NG has Network Entry Agreements or legacy contracts with terminal operators which will require bilateral renegotiation
- Physical data flows, commercial data flows, integrity of NTS and NBP

**Can upstream/downstream interface really reconcile two different Gas Days?**

# Offshore physical and commercial complexity



Brae Area

## Costs of proposed Gas Day change upstream

- **IT systems** (mainly bespoke systems, some pre-date Network Code)
  - Offshore data flows; onshore and offshore allocation of gas; timing of transactions
  - Deadlines for capacity nominations/outages/OCM; interaction with liquids
- **Metering systems** (natural gas *and* NGLs)
  - Meter validation/telemetry equipment/ metering equipment
  - Fiscal meters offshore
- **Commercial agreements** (many pre-date Network Code)
  - Production allocation, gas lifting, transportation and processing and gas sales
  - Other field-level upstream agreements e.g. POSAs
  - Claims validation agreements and other agency agreements

Relative cost highest at terminals/systems serving complex, multi-company operations and at low-volume, late-life offshore fields and systems

**Estimated total upstream cost of ‘at least £40-50 million’**

## What we have done and what we are doing

- Participated in Ofgem meetings since July
- Convened joint Gas Forum - Oil & Gas UK meetings since August
- Gathered cost estimates from terminal and offshore operators
- Organised industry meetings (N Grid, shippers, producers, CVSL) since December
- Met DECC and Ofgem to discuss concerns
- Producers and Oil & Gas UK have responded to UNC Mod 0461 consultation
- Joint letter to Michael Fallon, DECC minister (*9 January*)
- Further meeting with DECC and joint written response to Michael Fallon

## Recommended course of action

- Mod Panel return UNC Mod 0461 to development workgroup for further assessment; postponement of the approval process and implementation
- No need to modify CAM Network Code
- Possible clarification of earlier codes in Inter-Operability NC process?
- Ofgem to review basis in EU NCs for the proposed change
- Ofgem and DECC conduct a full cost-benefit analysis including ‘wider industry impacts’ with focus on two areas of risk:
  - impact on CVA/CVSL if the UK upstream retains its 6am-6am Gas Day
  - ways to assist BBL and IUK to reconcile different gas days in GB and on continent
- Changes at IPs only (IUK and BBL at Bacton) to ensure UK compliance
- Ofgem and NG engage with interconnectors and liaise with Gaslink and Irish regulators



## Consequences of keeping Gas Day unchanged

- UK complies with EU legislation at least cost
- Avoidance of unnecessary costs throughout the UK/GB gas chain
- Changes are restricted to IPs and interconnector operations
- IUK is able to continue to operate as it always has done
- No detriment to any GB/UK or EU consumer
- No OBAs necessary at domestic entry points, only (possibly) at IPs
- No change to CVA agreement
- No change to National Grid contracts with terminal operators