

DECC – Ofgem Stakeholder Group for Gas

Minutes

29/09/14

Chair: DECC

European Network Codes

- David McCrone presented a short update on **Interoperability**, which is at the final comitology stages. National Grid (NG) raised mod 510 and there was a UNC European work group meeting last week to discuss it. Sue expects a Commission vote to pass it through Comitology on 3-4th November and David suggested that the 2016 target implementation date should be achievable.
- Colin Hamilton (NG) presented on **Tariffs**. We are at stage 3 of the network code drafting process, which will finish at the end of 2014. Areas for revision presented at the Stakeholder refinement workshop on 24th September were: Transmission Services Definition, Publication Before Annual Auctions, Payable Price, Multipliers, Benchmarking and One off Capacity Reset.
- Stakeholders presented some negative feedback on the code, which Sue will raise with the Commission and Member States when the issue is next discussed. Concerns included:
 - o Scope of the Network Code - the current draft doesn't specify the amount of allowed revenue that will be collected from 'Transmission Services'. There are concerns that while the services that fall within the scope of 'Transmission Services' will be subject to a good degree of transparency, other services may not, and a proportion of shipper's costs will not be subject to the cost allocation methodology. Stakeholders expressed concern about charges for specific services that benefit specific users being levied on the wider user base.
 - o Shippers need to know short term multipliers and reserve prices before CAM auction. Shippers may be hesitant to bid for capacity on the basis of price information that is subject to change. Without prior information, participation in auctions could be reduced.
 - o Many shippers want to continue to buy fixed price capacity, citing concerns over the certainty and predictability of tariffs.
 - o One off Capacity Reset was discussed at length, with shippers in favour of such a measure.
- Colin proceeded to discuss the Incremental Amendment, which is at the Refinement Workshop stage. The amendment proposal is due to be submitted at the end of 2014. The main issues of concern at the workshop were: Clarity and preciseness of the incremental offer process; conditions and parameters of open season procedures; how parameters would influence the factor and how the tariff framework impacts the incremental process.

GB Implementation of ENC

- Chris Logue (NG) ran through implementation timescales of CMP, BAL, CAM, Interoperability and Tariffs. CAM and BAL are expected to go live at the end of 2015, Interoperability is hoped also to go live by 2016 and Tariffs is still in ENTSOG drafting.
- The UNC Mod development approach allows UNC changes to be made in 'bite sized chunks' and with sufficient time for industry discussions.
- So far 7 UNC mods have been raised and Chris noted the difficulty and complex legal issues of such changes, explaining the long timescales necessary for modifications.
- Next steps in the GB implementation process are:
 - o Comitology for the interoperability code.
 - o Conclude UNC modification processes for current set of CAM and Balancing Mods, with Ofgem decisions due in early part of 2015.
 - o Finalise arrangements with adjacent TSOs, which will include NRA agreement and revised interconnection agreements. We are making good progress under this last point, with Moffat, BBL & IUK.
 - o Complete IT system build and testing.
- Robert Sale provided an update from IUK, and highlighted the two industry workshops that occurred last week. The slides and documents from these meetings can be found on IUK's website.

Gas Target Model and ACER Bridge to 2025

- Nathan Macwhinnie (Ofgem) presented information on the Gas Target Model (GTM).
- A key element of the GTM is to assess wholesale market functioning. Metrics to make that assessment are divided into two broad categories - market participant needs and market health.
- There was some concern from stakeholders that the GTM may trigger further regulatory intervention.
- The GTM is likely to be up for approval at the November BoR.
- With respect to the Bridge, which was approved at the September BoR, the governance chapter was the main point of discussion. It suggested future responsibilities of ACER could increase, however details of changes were not clear.

Madrid Forum

- Ryan McLaughlin (Ofgem) and Sue Harrison (DECC) updated on the preparations for the Madrid Forum. The agenda will again focus on security of supply, given the ongoing Russia - Ukraine situation. The CEER Storage Task Force report strongly emphasises that one size does not fit all:

that interventions out of market should be reversible and limited to those regions which do not yet have functioning markets. Storage will be an important discussion.

- ENC implementation will also be discussed across all ENCs.

EC Security of Energy Supply follow up (stress tests)

- Louise Clark provided a brief update on stress tests: in July, The Commission asked all MS to complete a stress test, which was sent back at the end of August. Currently the responses are being processed by the Commission and will be presented to the European Council later in October.
- The UK stress test confirms the strong resilience of the GB SoS.
- There was discussion about whether 'Security of price', as well as security of supply should be considered.

Update on the new European Commission

- Sue described the initial reactions to the Commissioner Designate for Energy and Climate Change- Miguel Arias Cañete.
- The relationship between Commissioner Cañete and Vice President for Energy Union is difficult to predict but will depend heavily on individual personalities.

REMIT workshop

- Michael Jenner provided information about the REMIT Comitology meeting on Friday 24th October, where implementing acts on reporting will be concluded.

AOB

Gas Day update

ACER has received the proposal from OGUK and the CAM task force have discussed it, and drafted a response that we expect to be circulated shortly.

- In assessing admissibility, ACER's response is likely to raise the question of whether this issue could be considered a 'new' issue following the BAL Comitology process or whether the issue was already known about at that stage. ACER are also likely to ask for more information on costs for upstream to move to the new Gas Day and on alternative means to manage the interface between upstream and downstream.
- Louise summarized DECC's position which is that the relevant ENCs will enter into force in 2015, requiring a change to the downstream gas day; she underlined that all parties should continue to look for ways to manage the upstream-downstream interface.

<u>Attendees</u>	<u>Representing</u>
Samia Adel	Storengy
David Cox	London Energy Consulting
Lee Bowerbank	Exxon Mobil
Alex Barnes	Gazprom
Francisco Goncalves	Gazprom
Graham Jack	Centrica
Colin Lyle	Gas Market Insights Ltd
Calre Cattle-jones	Energy Networks
Steve Rose	RWE
Andrew Pearce	BP
Chris Logue	NGG
Helen Campbell	NGG
Mike Jenner	NGG
Colin Hamilton	NGG
Sofia Eng	EDF
Sue Harrison	DECC
Louise Clark	DECC
Pavanjit Dhesi	InterconnectorUK
Robert Sale	InterconnectorUK
Manda Goodwin	ConocoPhillips
John Costa	EDF energy
Rob Mills	Ofgem
Nathan MacWhinnie	Ofgem
Ryan Mclaughlin	Ofgem
Feodora Von Franz	Ofgem
Andrew Malley	Ofgem
Annick Cable	Ofgem
Jack Robinson	Ofgem
Julie Cox – Dial in	Energy UK
Nick Wye – Dial in	Waters Wye Associates Ltd.
Isabelle Magne– Dial in	GDF Suez
David McCrone – Dial in	Ofgem
Steve Rose – Dial in	RWE Supply