

17th DECC – Ofgem Gas Stakeholder Group

Minutes

11/03/15

Chair: DECC

European Update

Security of Supply Regulation Revision

- Matt Bacon (DECC) confirmed that the Commission is consulting on the revision to the Security of Supply (SoS) Regulation (994/2010) and the Government sought input from industry to help formulate our response.
- There were 6 responses, 4 from infrastructure developers and 2 from shippers. In general, market based mechanisms were preferred and the responses were aimed at UK specific aspects. There was a 50/50 split view on the value of completing internal energy market.
- The revised Regulation is expected to be published late summer or early autumn.
- Stakeholders were concerned over transparency in plans for increasing SoS in eastern European member states and who will finance the projects. Ryan McLaughlin (Ofgem) suggested the planned regional approach will improve transparency and emergency SoS plans as well as facilitate development of the internal energy market.

Energy Union Update

- There was strong support for regionalisation all over the energy union from the Commission who are also talking about setting regional targets.
- The Commission also believe a better EU wide governance system is needed, and as part of that, ACER's role and powers will be reviewed (later this year). Stakeholders commented that ACER should use more of its existing powers before being granted more.
- The Commission is also working on a LNG strategy which will come out later this year and DECC are happy to receive industry input on this.

Responses to CEER storage vision paper

- CEER published a paper on the role of storage in 2013, followed by a consultation. Ryan McLaughlin (Ofgem) summarised the responses:
 - The main message was that one size does not fit all.

- There was a call for more market based mechanisms and better regulation
- All participants noted the arbitrage value of storing during the summer and selling during the winter
- Respondents were divided over whether the value of risk of disruption is included in the gas price. Storage operators believed the risk value is not seen in the price but market participants said the value was seen.

Infrastructure and 2nd list of PCIs

Iain Morgan (Ofgem) gave a verbal update on the process to develop the 2nd list of Projects of Common Interest (PCIs).

- Iain mentioned that the difference between the 1st and 2nd list of PCI's is that the Commission will be conducting its own analysis on the list to create a ranked list which will be shared in April/ May.
- The Commission issued a consultation on the second PCI on 22nd December 2014 and the deadline for responses has been extended to 31st March 2015.
- There are nine UK and Ireland projects included in the consultation.
- The ten year development plan (TYNDP) will be realised in mid-March and projects must be in the TYNDP to be eligible to qualify as PCIs.

ENC development and implementation:

Bacton Split Update

- Ofgem published its final decision to change NGG's NTS license on the 10th February 2015. The appeal window has now closed (without any appeals) and licence changes will take effect from the 8th April 2015.
- Industry has developed four UNC modifications for addressing the treatment of existing holdings of Bacton entry capacity from 1 Nov 2015. The UNC panel recommended that all four modifications should be made.

Tariffs and Incremental

- The European Commission wants the Tariffs Network Code (TAR NC) finalised for 16th June (this is the date of the 2nd informal comitology meeting). ACER are in the process of producing the reasoned opinion, which ACER will take in to account. ENTSO-G are producing a revised version of the code in parallel.
- Binding tariffs will be available for the following gas year. This is less of an issue for GB as our tariff-setting year is aligned with the current publication requirements of the TAR NC. This will be a change for other member states whose TSOs do not use the Oct-Sep CAM year as their tariff-setting year.

- A higher multiplier cap of 3.5 may be allowed for 2 years and then reviewed. ACER prefer the "gliding path approach" where multipliers are gradually reduced to a limit of 1.5.
- A minimum multiplier of zero remains but is being challenged by the Commission.
- The definitions of transmission and dedicated services are being revised. A definition of transmission services that includes capacity and distance as cost drivers is likely.
- The option for fixed price capacity is likely to be dropped for existing capacity at Interconnection Points. It will remain an option for incremental capacity.

Interoperability update

- The interoperability code has gone through comitology and will be published in May 2015.
- UNC Mods 0510 and 0519 have gone to the March Mod panel and are expecting to be issued for consultation soon.
- TSO update: NG aim to consult shippers on IA changes where they are impacted, by June 2015. NG will run 3 separate consultations in parallel.

Gas Day

- The February work group appointed Poyry to carry out a 4 week project to assess how to implement Option A. They have been running workshops and plan to produce a report soon.
- DECC mentioned they sent out letters to all shippers about Option A, and that it can be implemented by October. DECC are also looking into how to implement Option B and are asking for opinions from industry.
- Implementing Option A has 3 stages:
 1. Setting up I.T systems
 2. Assessing legal costs
 3. Management of the option

Attendees

Marshall Hall	OGUK
Julie Cox	Energy UK
Alex Barnes	Gazprom
Martin Baker	Xoserve
Robert Sale	Interconnector UK
Sue Harrison	DECC
Matt Bacon	DECC
Louise Clark	DECC
Roddy Monroe	Centrica
	EFET (EU Federation of Energy
Doug Wood	Traders)
Neville Henderson	BBL
Caroline Bradford	Centrica
David Cox	London Energy Consulting
Charles Ruffell	RWE
Amrik Bal	Shell
Peter Bolitho	Waters Wye
Andrew Pearce	BP
Gerry Hogan	Scottish Power
John Costa	EDF
Guy Hannay-Wilson	Chevron
Chirs Logue	NGG
Helen Campbell	NGG
Colin Lyle	Gas Markets Insights
Gill Campbell	DECC
Sofia Eng	EDF
Francisco Goncalves	Gazprom
Rob Mills	Ofgem
Ryan McLaughlin	Ofgem
Nathan Macwhinnie	Ofgem
Andrew Malley	Ofgem
Dora Ianora	Ofgem