

18th DECC – Ofgem Gas Stakeholder Group Minutes

03/06/15

Chair: Rob Mills, Ofgem

European Updates

Security of Supply Regulation Revision

Gill Campbell (DECC) provided an update on Security of Supply (SoS) and future timings:

- Member States responses to the European Commission's (EC) SoS Consultation are due to be published shortly – the Commission are currently ensuring they have the necessary agreement of respondents. The EC's proposals for the Security of Supply Regulation revision should be published in November 2015 and negotiations on the text are scheduled to begin under the Netherlands' Council presidency in January 2016.
- The EC is also preparing a study on storage and an LNG consultation. The LNG Consultation is expected for later this month but publication date for the storage document is currently unknown.
- Further ahead, proposals for a revision of the Decision Instrument on an 'information exchange mechanism for intergovernmental agreements between Member States and third countries' is not expected until later in in 2016.

Gill informed the group that Stefan Moser is the new head of the Commission's Security of Supply unit, in directorate B of DG Energy.

Ryan McLaughlin (Ofgem) informed the group that the consultants commissioned by the EC are due to deliver their report on Storage at the end of June. This compares gas storage across Member States and makes comparisons with oil. He also highlighted the presentation that was given at the [Madrid Forum](#) by the consultants, where initial findings from the study were presented.

In addition, CEER are working on a concept paper that will set out the regulatory position on Security of Supply in more detail.

There was a question of timings for the revision of the Security of Supply Regulation and how this would fit with other work from the European Commission (EC). It is likely to form part of a 'package' together with the LNG work.

Energy Union update

Sue Harrison (DECC) talked the group through the latest Energy Union developments, of which most are more relevant to electricity. The EC are due to publish an open Consultation on the Electricity Market Design (EMD) on 15 July, as well as a retail market communication. The EMD consultation is likely to focus on: Integrating renewables; minimising distortions from capacity remuneration mechanisms, generation adequacy and flexibility (including demand side measures).

Maroš Šefčovič, Vice President for Energy Union, is currently doing a tour of Member States and will be visiting the UK in July. This will be the first time that he meets the new secretary of state, Amber Rudd.

There was a question over whether energy would be in the scope of the reforms to the EU the PM will be seeking to negotiate in preparation for the EU referendum. Sue informed the group that the Sec of State did not consider that it would.

European Network Codes (ENCs)

Tariffs:

Colin Hamilton (NGG) brought the group up to date with the current state of play with the Tariffs ENC. On 7 May there was a high level meeting between ACER, ENTSOG and the EC, in order to agree a compromise on principles for the code. No revised ENC text is yet available. Some clarifications are currently being sought after this meeting and the process has slowed but there is confidence that the following timelines can be met:

- 19 June: Informal Member State meeting
- 1 July: ENTSOG Tariff WG to agree draft text
- 16 July: ENTSOG Board approval
- The final code to be complete for Informal Member States Meeting on 17-18 September.
- The first formal comitology is scheduled for early December.

Colin then went on to discuss some of the main issues that are being discussed, but emphasised that none of this is final. See his slides for more information.

It was asked why the grandfather clause date (29 September 2013) was chosen, since so much has changed since this date when Framework Guidelines were released. It was suggested that at that point, there was a clear signal for a preference for a floating price approach, but also noted that choosing a date for this is inherently difficult.

It was also asked when stakeholders would have access to the latest version of the ENC text. Whilst the text is constantly changing, the principles at least will be made available by late-June.

It was also asked whether National Grid had done work to develop a cost allocation test as required under this code and how GB's existing reference price methodology performs under this test. It was noted that this is a particularly tricky exercise with the code in its current state. National Grid agreed to make its study publically available

Incremental:

Colin Hamilton (NGG) continued to present. This is a new 'streamlined' version for allocation of incremental capacity. The version initially proposed by ENTSOG was thought to be too complex. In the revised process, all incremental capacity projects are run as open season procedures. CAM auctions will be the default option, with alternative allocation rules allowed in certain circumstances.

ACER are currently developing a revised legal text, including other amendments to CAM to remove inconsistencies.

Andrew Malley (Ofgem) provided an update from an ACER perspective. The revised process aims to clarify how shipper's capacity indications and bids will be treated, with separate, clearly defined non-binding and binding phases. Alternative allocation rules other than the CAM ascending clock mechanism auctions can be used to address the limitations of the CAM auctions, which are unable to accommodate conditional bids. Consultation responses suggested that without alternative allocation rules and conditional bids, it may be difficult to secure the investment needed to get large or complex projects off the ground.

There will either be a full consultation or an 'open house' approach with a following response period afterwards. This should start in the next couple of weeks but timelines are still unclear. The incremental amendment will follow the same general timing as the Tariff code.

Impact assessment on UNC0501

David McCrone (Ofgem) updated the group on the CAM UNC0501 modifications. Four mods are being proposed, each proposing different ways of treating existing bookings at Bacton once CAM is implemented in November. The mods have gone through the UNC panel and have been submitted to Ofgem for decision.

Ofgem have made the decision to do impact assessments on each mod. The impact assessments were published on 20 May and can be found [here](#). 17 June is the deadline for submitting comments and/or feedback. Please email david.mccrone@ofgem.gov.uk with your comments.

Interoperability ENC

This was formally adopted on 30 April by the EC, with no changes since Comitology in November. It is now in place and effective from 1 May 2016. NGG are looking to implement some parts of the code in line with BAL and CAM so these will be implemented from 1 October 2015.

There are 3 mods going through for the ENC: 519, 510 and 525. Ofgem expect to publish decisions on these mods in the summer.

Gas day

Louise Clark (DECC) informed the group that Phase 2 of option A is currently being implemented.

- 11 companies have signed up as funding members for Phase 2. These 11 companies and the three trade associations (Oil and Gas UK, Energy UK and Gas Forum) make up the steering group that is working closely with Poyry to deliver Phase 2.
- There is a 2nd steering group who are looking at options to potentially supplement Option A to remove synthetic charges that occur because of the mismatch in gas days.
- 2 or 3 UNC mods are expected to be submitted to the joint office later this month.

On 17 June there will be a Claims Validation Services Ltd general meeting with an initial vote on amendments to the Claims Validation Services Agreement. The papers will then go out to Principals for comments for 28 days. They will be redrafted based on the comments received and sent out for another 28 days, after which a final vote will take place. All Principals are able to vote and there needs to be a 90% positive vote in order for the amendments to go ahead. This is now likely to be in September. The importance of the vote was emphasised and Ofgem and DECC were asked for support with gaining the votes needed to pass the amendments. Any enquiries should be directed to louise.clark@decc.gsi.gov.uk.

The transmission working group took place on 4 June and National Grid gave a presentation on EU contingencies for 1 October for all of the Gas Network Codes. It was noted there is usually a good representation from industry – around 30 people. Slides and minutes are published on the [joint office website](#).

AOB

Rob informed the group that the next meeting is scheduled for 2 September and thanked everyone for their attendance.

Attendees

<u>Name</u>	<u>Organisation</u>
Neville Henderson	BBL
Andrew Pearce	BP
Audrey Nugent	CIA
Manda Goodwin	ConocoPhillips
Roddy Monroe	CSL
Matt Bacon	DECC
Gill Campbell	DECC
Sue Harrison	DECC
Louise Clark	DECC
John Costa	EDF
Clare Cattle-Jones	Energy Networks
Martin Baker	exo serve
Francisco Goncalves	Gazprom
Robert Sale	IUK
Emmanouela Angelidaki	IUK
Colin Hamilton	NGG
Justin Goonesinghe	NGG
Jack Robinson	Ofgem
Nathan MacWhinnie	Ofgem
Andrew Malley	Ofgem
Rob Mills	Ofgem
Charles Ruffell	RWE
Marine Valls	Storeenergy
Nick Wye	Waters Wye Associates