

22nd DECC- Ofgem Gas Stakeholder Group Minutes

21/06/16

Ofgem, 9 Millbank

Chairs: Sue Harrison (DECC), Chris Brown (Ofgem)

European Updates

Nick Clements spoke briefly on the Security of Supply regulation and the discussions surrounding regional cooperation and solidarity. There has been some softening of mandatory cooperation and solidarity provisions (“solidarity” is union-wide and covers supply continuity, while “cooperation” concerns planning for emergencies and is regional). The Slovak presidency, which starts 1st July, will bring a new draft of the SoS regulation. The draft will be put before the December energy council after “trialogues” and a formal vote in October. The process is as follows: Parliamentary debates then a proposal which will be voted on in October, then the December energy council. The Commission will need to take heed of the Council/Presidency positions (“Co-decision”). This process involves the Council and ministers, and is not the same as comitology.

DECC have not got a formal position yet but will form over summer, as they want to engage with views. Generally DECC are supportive of removing trade barriers.

Marshall Hall notes that for industry at least, the key issue is when the system moves from market-based to managed solidarity. He feels the market should be used as much as possible.

DECC ask that any views are articulated to them, in writing ideally.

Alex Barnes notes that REMIT databases hold all of the data we might need for SoS, and avoiding duplications of any data submissions is desirable.

Nick Clements notes that regarding Intergovernmental Agreements (IGAs), the last energy ministerial council agreed that new third-party IGAs will be checked ex-ante as they are agreed, and ex-post checks will be done on existing IGAs where necessary to ensure they are compliant with EU law.

NGG European Network Code implementation

Matthew Hatch presented his slides. Key points included the fact that no third meeting is planned for TAR/CAM NC comitology. His slides included a useful timeline of the codes progression.

CAM Incremental Amendment developments development

Matthew Hatch presents his slides.

He notes that Market assessments for incremental capacity may now be needed as early as Q2 2017. CAM will be law from April 2017. Auctions will therefore be affected from that point on. He notes the following key developments:

- CAM has been amended to allow for the Security of Supply regulation.
- Path-based capacity has been removed from the CAM text. This may be due to mixed consultation responses.

Alex Barnes notes that path-based capacity appeared to occupy a grey area and there was significant debate around them at the EC's recent Shipper & Stakeholder meeting.

Regarding changes to the rules on interruptible capacity, Alex notes there could be issues with matching if access to interruptible day-ahead is removed. Marshall Hall wonders if changes to interruptible capacity could have ramifications for Bacton split capacity, noting that users who did not get their desired capacity allocations rely on interruptible capacity to make up the difference. He refers back to the proposed SoS provisions in CAM Article 6 and asks if this also has impacts for Bacton, which is both an IP and a domestic point. It is noted that the provisions relate to crisis situations only.

Gas Quality and Interoperability Network Code developments

Phil Hobbins presents his slides.

Steve Rose asks about AS4 communication protocol. He and Phil will pick this up after the meeting. Phil presented on the ENTSOG questionnaire on the use of the CEN gas quality standard. He asked that shippers respond and noted that under NG analysis, up to 20% of GB gas could be non-compliant with the CEN standard, with a corresponding impact on SoS and market conditions. He also confirmed that by virtue of our salt cavern storage the NTS qualifies as a sensitive network. Marshall Hall stresses the need for flexibility to allow for the future use of US shale LNG, which is thought to have higher oxygen content, and also for the potential for UK shale and biomethane, which may also be subject to such variation. He worries that we may find that developments at EU level affect GB market in ways which are not foreseeable at this point. He will be discussing with Oil and Gas UK and will feed back.

Tariff Code developments

Colin Hamilton presented his slides. He noted key points, such as the removal of the shorthaul provisions. There was some discussion on whether shorthaul could constitute a non-transmission service. The new text on LNG and storage discounts was also discussed. Participants noted that multipliers lower than one would be allowed where "duly justified", though this is not further defined. Ofgem informed industry that they would expect all

modification proposals, on this or any topic, to be supported by good-quality analysis. Finally, the provisions on existing contracts were discussed, and National Grid offered their opinion that the fixed capacity element of GB capacity bookings would be captured.

Attendees

Name	Organisation
Alex Barnes	Gazprom M&T
Amrik Bal	Shell Energy Europe Ltd
Andrea Bonzanni	EDF Trading
Anna Shrigley	ENI
Colin Hamilton	National Grid
David Cox	London Energy Consulting
Doug Wood	Doug Wood Associates
Elaine O'Connell	DECC
Fred Frazer	NI Dept of Enterprise Trade and Investment
Graham Jack	Centrica Energy
Julie Cox	Energy UK
Lizzie Lunn	Energy Networks Association
Lucy Manning	Gazprom M&T
Marine Valls	Storengy UK
Marshall Hall	Oil and Gas UK
Matthew Hatch	National Grid
Mike Thorne	National Grid
Natasha Ranatunga	EDF Energy
Nevile Henderson	BBL
Nick Clements	DECC
Nick Wye	Waters Wye
Pavanjit Dhesi	IUK
Peter Biltoft-Jensen	DONG
Peter Dorsett	ExxonMobil
Philip Hobbins	National Grid
Robert Sale	IUK
Roddy Monroe	Centrica Storage
Samuele Repetto	EDF Trading
Sarah Palmer	Chevron
Stephen Rose	RWE Supply and Trading GmbH
Sue Harrison	DECC
Andrew Malley	Ofgem
Chris Brown	Ofgem
David Reilly	Ofgem
Michelle Toussaint-Bourne	Ofgem
Sean Hayward	Ofgem