

# 23<sup>rd</sup> BEIS-Ofgem Gas Stakeholder Group Minutes

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21/09/16

Ofgem, 9 Millbank

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

## European Updates

Nick Clements (BEIS) began by informing attendees that he had recently switched roles at BEIS and was now directing his attentions to Brexit (both gas and electricity), but has retained an interest in Security of Supply (SoS) matters.

Nick continued by providing a brief update on the Security of Supply (SoS) regulation which is now back with Brussels. An “EC” meeting is taking place on October 13 which will include a vote on the text of the draft regulation. It will then be discussed with Parliament. The Slovaks are commencing the “trialogue” discussions of the regulation (Commission, Parliament and Council) but need substantive member state agreement first which they are aiming for by December, so the next 6 weeks will see the direction of travel become more clear.

On the **solidarity provisions**, Nick noted that discussions are taking place on the merits of regional versus national plans. Nick noted that some markets are expected to deliver the solidarity principle (eg UK, Netherlands) but that it’s hard to see how this might apply in other member states. Nick noted that the Commission is looking to a back-stop measure but wondered if there are more innovative routes. The principal of safe operation, plus interactivity with electricity have been brought to the Commission’s attention.

On **regional cooperation** groupings, Nick noted that the UK is content with its grouping arrangements (with Ireland).

Nick was asked whether an updated text was available which could be commented on. Nick responded “No” and asked that people comment on the original text, focussing on overarching themes. However, he asked that specific problematic wording should be flagged. Concerns were raised about inconsistencies between adjacent markets in market functioning, and also certain aspects of the drafting vis-à-vis the functioning market.

A discussion ensued around the solidarity mechanism during which it was stated that it addresses long term supply losses and not losses that would occur on a shorter timescale, ie it is not a demand peak management mechanism. Concerns were raised that some member states may not be clear about the detail of the mechanism, for instance when the solidarity provisions might be called upon. Nick Clements asked whether such issues should be addressed in legal text or accompanying guidance?

A final comment was that whilst the market is supposed to address SoS issues, the costs will likely be very high and therefore a compensation mechanism will need to recognise this.

### **Brexit**

Sue Harrison (BEIS) provided an update on Brexit, stating that the UK is a member of the EU until it leaves, and that it will maintain full rights including access to all Council meetings. Accordingly, the UK will continue to comply with all the obligations and commitments that accompany being a 'good' member of the EU. She confirmed BEIS' intentions to attend all forthcoming meetings (comitology etc) and to vote. Sue also noted that Lucy Neville-Rolf (Minister of State at BEIS) is keen to attend Council meetings.

Sue further noted that we (UK) don't yet know what relationship we'll have with the EU post-Brexit so it's important that we put ourselves in a good position now. However, we may lose influence post Brexit so it's important to identify key issues now so we don't waste our "influencing capital". Further, we have allies who respect our experience and knowledge and are keen to work closely with us. These allies might raise points on our behalf [post-Brexit].

A discussion then followed on who was responsible for what, during which Nick Clement stated that Treasury would be responsible for filling funding gaps post-Brexit. Sue Harrison added that 'cross-cutting' issues will be supported by Government until 2020.

### **Gas Working Group**

Chris Brown (Ofgem) provided an update from the ACER Gas Working Group. Key topics were:

- a. The forthcoming EU Madrid Forum on 6/7 October. On the programme is: the State of the EU gas sector; the MMR (Monitoring Mechanism Regulation)(the UK comes out well); removing barriers to LNG – what could attract development, especially in the South of Europe?; gas quality harmonisation.
- b. The gas target model (GTM). A tender is currently open to appoint a consultant to work on this.

A brief discussion followed on gas quality issues, in which concerns were raised about the mandatory implementation of a CEN standard. Sue Harrison suggested that the UK always speaks up against further harmonisation but other member states are less vocal and need to speak up if the Commission is to be convinced not to mandate implementation.

### **EU Codes Update**

Matthew Hatch and Colin Hamilton provided an update from NGG covering both CAM and TAR Network Codes - slides attached. There was a discussion concerning the offering of a capacity conversion service (CAM – Art 21), with some support for the removal of mandatory bundling. NGG stated that they intended to bring forward two UNC modifications to implement CAM [Note: this has required three modifications]. A brief discussion on short haul tariffs ensued during which NGG suggested that flexibility remains within the drafting for a UK position to be taken (ie the text doesn't explicitly forbid short haul tariffs but doesn't offer comfort that they're permitted either).

**Attendees (\* = teleconf)**

<b>Name</b>	<b>Organisation</b>
Alex Barnes	Gazprom M&T
Andrea Bonzanni	EDF Trading
Andrew Pearce	BP Gas Marketing Ltd
Anna Shrigley	ENI
Cecile Garcia	Ofgem
Celine Hayes	GNI
Chris Brown	Ofgem
Colin Hamilton	National Grid
David Cox	London Energy Consulting
David Reilly	Ofgem
Doug Wood*	Doug Wood Associates
Fred Frazer*	NI Dept of Enterprise Trade and Investment
Gerry Hoggan	Scottish Power
Graham Craig*	UREGNI
Graham Jack	Centrica Energy
Jane May	Energy Networks Association
Jeff Chandler*	SSE
Julie Cox	Energy UK
Lucy Manning	Gazprom M&T
Manda Goodwin	Conoco Phillips
Marshall Hall*	Oil and Gas UK
Martin Baker	Xoserve
Matthew Hatch	National Grid
Mike Thorne	National Grid
Nahed Cherfa	Statoil
Nevile Henderson	BBL
Nick Clements	BEIS
Nick Wye	Waters Wye
Peter Bilotft-Jensen	DONG
Peter Dorsett	ExxonMobil
Richard Fairholme*	Uniper Energy
Richard Miller	Ofgem
Ricky Hill	Centrica Energy
Robert Sale	IUK
Sean Hayward	Ofgem
Stephen Rose	RWE Supply and Trading GmbH
Sue Harrison	BEIS