

Minutes of the 25th BEIS/OFGEM EU Gas Stakeholder meeting

08/06/2017

9, Millbank, London, SW1P 3GE

Chair: Chris Brown, Ofgem

Ofgem Update

Chris Brown (CB - Gas Systems, Ofgem) provided an update on progress with the Winter Package, including progress made by ACER's Gas Package Taskforce on the mirroring exercise (ie the elements of the electricity market design package which are relevant for gas). Attention was drawn to provisions for retail markets and other areas. It was noted that the division on TSO and DSO tasks has limited applicability for gas.

Attention then turned to progress with the EC's Quo Vadis study. CB noted that a review of scenarios is underway and that a member state meeting took place on 30 May. CB further noted that a stakeholder workshop was scheduled for the week commencing 26 June.

CB drew attention to CEER's future role of gas (FROG) study which looks at the regulatory implications resulting from the changing role of natural gas. It was noted that DNV GL have been appointed as consultants and that they will: review demand in the 28 EU member states; conduct an overview of regulatory implications; report on insights from a range of stakeholders; report on policy implications from a regulatory perspective.

CB turned his attention to ACER's fourth annual report on congestion at IPs (for the year 2016), noting that no congestion is reported for the UK. CB advised that ACER has restated its view that the scope and definition of contractual congestion should be reviewed, but that consensus had yet to be reached.

Finally, CB turned his attention to the "Joint Functionality Process", which is co-managed by ENTSOG and ACER, and is supported by the European Commission. It aims to provide solutions to implementation and operational issues within the existing Gas Network Codes (NCs) and Guidelines (GLs) which have already entered into force. The process will provide stakeholders with an opportunity to raise and discuss issues as well as an opportunity to be involved in developing solutions in the form of non-binding guidance. The central tool is the Gas Network Codes Functionality Platform (www.gasnfunc.eu) which was launched on 11 February 2017. Once an issue has been raised, ACER and ENTSOG will jointly validate, categorise and prioritise it, and elaborate solutions which take into account stakeholders' ideas.

BEIS update – Security of Gas Supply negotiations

Ether Sham (ES – BEIS) provided a brief update on the revised Security of Supply regulation, which aims to minimise the impact of a potential gas disruption by improving the cooperation between EU member states. ES focussed on the solidarity mechanism, a last-resort mechanism under which member states will be required to come to the assistance of their neighbours once all other emergency measures have been exhausted. ES noted that it will give rise to adequate compensation but was unable to provide clarity on what this meant, indicating that it was still under discussion. It was noted that the solidarity mechanism can only be turned to once a member state has switched off all its industrial demand. Further questions were asked about circumstances under which

adjacent states could decline to assist – for example, if a member state felt that its own protected customers were at risk.

National Grid Gas Update

Colin Hamilton (CH) gave a presentation which focussed on [UNC Mod0621](#). CH explained that this mod addressed multiple issues relating to the gas charging regime and was not solely related to changes required as a result of the EU Tariff Network Code (TAR-NC). Nevertheless, Mod0621 would aim to bring about compliance with European codes. A key date was given as May 2019 when a new NTS charging methodology is required to be in place.

CH gave a broad overview of the various topics addressed by Mod0621, and outlined the various groups and subgroups that would scrutinise the Mod proposal. CH drew attention to the matter of “exiting contracts” and how these are addressed by TAR-NC Article 35.

CH mentioned that a new satellite UNC Mod was being developed and that this would address matters relating to combined ASEPs, ie those NTS connection points which have both storage and non-storage connections. CH explained that current arrangements might be incompatible with TAR-NC, since TAR-NC mandates capacity-charge discounts for storage connections, but not non-storage connections.

On TAR-NC’s transparency requirements (ie obligations to publish certain material), CH noted there had been a difference of opinion (in interpretation) between ACER/EU and ENTSO-G, but that a compromise solution had been reached whereby a limited data set would be published at the end of the year.

A conversation began on the extent of any impact assessment (IA)/Cost Benefit Analysis (CBA) that might be included in the final Mod report. It was noted that Ofgem expected the Mod to contain a robust analysis of any proposals it made and therefore the Mod should contain an IA. It was further noted that the extent of any Ofgem IA would depend on the extent of the analysis undertaken within the Mod report. A question was asked about the impact of the Mod on cross border trade (ie would it be included in the IA). In response, it was noted that the mod was at its early stages so it was too early to say.

BEIS update – Brexit/Quo Vadis

(note that this meeting took place before the outcome of the UK general election was known)

Sue Harrison (SH – BEIS) noted that negotiations with the EU were scheduled to begin on 18 June with three key items on the agenda: people, budgets and Ireland. SH noted that the Commission and Council were keen to resolve the first two matters before other matters (technical discussions) could be negotiated.

SH noted that Ireland and Energy are viewed in Westminster as important matters and she expected these to be prioritised. Nevertheless it was expected that energy settlement would take some time, and that the strategic objective was not yet clear. SH emphasised that there remain a lot of unknowns.

Sue reported back on a recent informal meeting she had attended with member states on various gas issues.

On mirroring provisions in the electricity market design package, SH was able to report a ‘sensible’ attitude was being adopted (ie only mirroring where it’s naturally applicable), although this has yet

to pass through the Commission hierarchy. When asked if it would pass through on the Clean Energy Package timeline, SH suggested this was unlikely and that it may need to wait until the next 'commission'. SH also noted that it was felt that the division of TSO and DSO tasks has limited applicability for gas – it was noted that this agreed with the ENA's position.

A discussion followed on the Functionality Platform mentioned by CB earlier. It was noted that it has seen no use to date. SH commented that this was likely due to confidentiality concerns. SH further noted that there appeared to be no established modification process for EU Network Codes (cf. domestic industry codes). It was commented that perhaps this was because the established route is for the Commission/ACER to *consider* changes, and for the Commission to propose it. Others suggested that changes to EU codes tend to only clarify existing measures, ie they do not re-write law. It was further commented that EU Codes are not about commercial arrangements, rather they are rules imposed from the top down so there is less scope to influence change from a commercial perspective.

On the Quo Vadis study, SH noted the final report is due in December but asked what was the purpose of the study since this remained unclear. SH commented that it did not appear to be looking at the long term future of gas and was based on an assumption that gas demand would remain about the same in the 'nearer term'. Summing up, SH doubted that the report would make any radical observations or suggestions.

Next meeting – 10 October 2017

Attendees (* = teleconf)

Name	Organisation
Alison Langford	ExxonMobil
Amrik Bal	Shell Energy Europe Ltd
Andrea Bonzanni	EDF Trading
Celine Hayes	GNI
Chris Brown	Ofgem
Claire Ball	BEIS
Colin Hamilton	National Grid
David Cox	London Energy Consulting
David Reilly	Ofgem
Doug Wood	Doug Wood Associates
Ether Sham	BEIS
Fred Frazer *	NI Dept of Enterprise Trade and Investment
Gerry Hoggan	Scottish Power
Jenny Phillips	National Grid
John Costa	EDF Energy
Julie Cox *	Energy UK
Manda Goodwin	Conoco Phillips
Martin Baker	Xoserve
Matthew Hindle	Energy Networks Association
Mike Thorne	National Grid
Nahed Cherfa	Statoil
Nevile Henderson	BBL
Nick Wye	Waters Wye
Pavanjit Dhesi	IUK
Peter Biltoft-Jensen	DONG
Richard Fairholme *	Uniper Energy
Ricky Hill *	Centrica Energy
Roddy Monroe	Centrica Storage
Sean Hayward	Ofgem
Stephen Bird *	Total
Stephen Rose	RWE Supply and Trading GmbH
Sue Harrison	BEIS
William Collins	BEIS