

Minutes of the 26th BEIS/OFGEM EU Gas Stakeholder meeting

Chair: Ed Freeman

Date: 10 October 2017
Time: 09:30

Location: 9 Millbank,
London, SW1P 3GE

1. Attendees

See Annex 1.

2. Ofgem update

Ed Freeman (EF) opened the meeting by welcoming an attendees and providing an update on Ofgem's organisational structure insofar as the Gas Systems team is concerned, noting that Natasha Smith is the Head of Gas Systems (Chris Brown having moved onto a new role within the organisation) and that Cathryn Scott is Ofgem's Partner for Wholesale Markets and Legal.

EF moved on to give an overview of the Commission's forthcoming Madrid Forum (19th and 20th October), which is concerned with the EU's internal gas market. Ed drew attention to key agenda items:

- CEER's Future Role of Gas (FROG) report (EF noted that this is nearing completion);
- The Quo Vadis study, which asks whether market functioning and welfare can be improved;
- The Commission's LNG and Storage Strategy (a follow up study has been commissioned looking at east and south-east Europe).

A discussion ensued on GB's commitment to projects in light of BREXIT and the value that is attributed to security of supply.

3. BEIS update

James Acord (JA) advised that he has replaced Robert Sanford at BEIS on matters relating to gas. JA noted that BEIS had received draft guidance from the Commission on the Solidarity Mechanism (EU SoS Regulation). It clarifies that "compensation" means payment for gas received. BEIS are committed to it despite Brexit uncertainty and will continue to engage with partners. For example, BEIS are leading the way on a North Sea gas hub. A discussion followed on information sharing, and CEPA's report on Security of Supply which looks into the impact of shocks to GB gas supplies. JA confirmed that despite the report being dated March 2017, it does give consideration to the closure of the Rough storage facility which was not announced until June 2017.

4. NGG update (Brexit)

Mike Thorne (MT) provided an overview of GB as part of a mesh of interconnected networks, and outlined the benefits of mutual cooperation with partners (simplified back-office procedures; market integration enables access to cross border assets and services; SoS; consumer benefits estimated at €50 per person per year). MT drew attention to ACER's forthcoming 2016 market monitoring report. MT closed by outlining areas of uncertainty on the horizon, drawing attention to the potential treatment of IPs post Brexit.

5. BEIS update (Brexit)

Sue Harrison (SH) echoed MT's thoughts on the benefits of mutual cooperation. Sue noted that negotiations had not yet begun but Government had made it clear that its aim was for trade to continue as-is. In response to a question, SH stated that Government are preparing for all potential outcomes in relation to Brexit negotiations.

Concerns were raised about existing EU Network Codes, in particular CAM – it was suggested that it's not "fit" for interconnector points (IPs) because it prohibits the sale of market flexible products which the interconnectors rely on. On this basis, there was some dispute as to whether translating EU Codes as-is into UK law was appropriate. It was further pointed out that post-Brexit, GB will be a "third-country", so regulations surrounding IPs will change.

6. NGG update (EU Codes)

Colin Hamilton (CH) provided a brief overview of the European Network Codes related mods UNC0616 (Capacity Conversion Mechanism for Interconnection Points) and UNC0611 (Amendments to the firm capacity payable price at Interconnection Points), the latter of which was implemented a few months earlier.

Attention then turned to UNC0621 which aims to implement the requirements of the EU Code on Harmonised Gas Transmission Tariffs ("TAR NC"). CH outlined the "holistic" approach that NGG are adopting to the charging review, plus key forthcoming milestones. CH stated that NGG's proposal would see a transition to a mainly capacity based recovery of allowed revenues. CH confirmed that NGG are proposing a Capacity Weighted Distance (CWD) based charging methodology, and forecasted contracted capacity (FCC), a key parameter of the CWD based methodology, would likely be based on obligated capacity or a percentage thereof.

CH fielded questions about storage discounts (50% is written into the current UNC0621 draft but this is not set in stone); requests for LNG discounts (none made) and 100% discounts for interruptible capacity (none proposed).

CH outlined NGG's proposal to retain commodity based revenue recovery charges for a transition period post implementation, but that this would transition to capacity based charges. CH also outlined Shorthaul provisions, noting that a distance cap may be introduced.

CH stated that a follow up mod would be required to deal with "combined ASEPs", because TAR NC mandates discounts at storage facilities [only] and some ASEPs are connected to both storage and non-storage sites.

On publication requirements, CH stated that the ACER's transparency platform would go live on 2 December 2017.

7. Ofgem update on NRA responsibilities in respect of TAR NC

David Reilly (DR) provided an update on Ofgem's recently launched consultation (4th October 2017) on TAR NC implementation. The consultation relates to areas within TAR NC where the National Regulatory Authority (NRA) is given discretion on whether the NRA or TSO (Transmission System Operator – ie NGG for GB domestic arrangements) should undertake specific tasks. DR outlined that it was Ofgem's proposal that the TSO should undertake these activities according to a directed timeline. In addition, Ofgem also proposes that UNC0621 should proceed according to a directed timetable.

Annex 1: Attendees (* = teleconf)

Name	Organisation
Áine Spillane	GNI
Alison Langford	ExxonMobil
Andrea Bonzanni	EDF Trading
Cathryn Scott	Ofgem
Charles Ruffell	RWE Supply and Trading GmbH
Chris Brown	Ofgem
Colin Hamilton	National Grid
David Cox	London Energy Consulting
David Reilly	Ofgem
Doug Wood	Doug Wood Associates
Edward Freeman	Ofgem
Fred Frazer *	NI Dept of Enterprise Trade and Investment
James Acord	BEIS
John Costa	EDF Energy
Kamla Rhodes	Conoco Phillips
Marcel Neef	Gasunie
Mike Thorne	National Grid
Nahed Cherfa *	Statoil
Natasha Zoe Smith	Ofgem
Nevile Henderson	BBL
Nick Wye	Waters Wye
Pavanjit Dhesi	IUK
Riccardo Rosselli	Ofgem
Robert Sale	IUK
Roddy Monroe	Centrica Storage
Sean Hayward	Ofgem
Sue Harrison	BEIS
Celine Hayes	GNI
Jeff Chandler	SSE
Peter Bilotto-Jensen	DONG
Richard Fairholme	Uniper Energy
Stephen Rose	RWE Supply and Trading GmbH