

Minutes of the 27th BEIS/OFGEM EU Gas Stakeholder meeting

From: Ed Freeman & Mark Carolan

Date: 25/07/2018

Time: 14:30 – 17:00

Location: 10 South Colonnade, London E14 4PH

1. Present

Name	Organisation
Alex Nield*	Storengy UK
Alison Langford	ExxonMobil
Andrea Bonzanni	EDF Trading
Andrew Pearce	BP Gas Marketing Ltd
Ciara Brennan*	Mutual Energy
Con O'Donnell	GNI
David Cox	London Energy Consulting
Doug Wood	Doug Wood Associates
Edward Freeman	Ofgem
Emma Piercy	National Grid
Heidi Ranscombe	Citizens Advice Bureau
Jane May	Energy Networks Association
Jeff Chandler*	SSE
Julie Cox*	Energy UK
Kamla Rhodes	Conoco Phillips
Marcel Neef	Gasunie
Mark Carolan	Ofgem
Mark Rixon	Storengy UK
Mary Simmons	IUK
Mike Thorne	National Grid
Nahed Cherfa	Equinor
Nick Wye	Waters Wye
Philip Hobbins	National Grid
Robert Sale	IUK
Robin Dunne	Ofgem
Stephen English*	Mutual Energy
Stephen Rose	RWE Supply and Trading GmbH
Sue Harrison	BEIS

Tanya Hedley	Utility Regulator
Sinead Obeng	Gazprom M&T

*Attended via teleconference

2. Ofgem update (excluding Brexit)

2.1. Commission priorities and future work:

Ed Freeman (EF, Ofgem) presented slides on the Commission's upcoming priorities for EU gas markets (see attached). This covered four main areas: a mirroring exercise with the Clean Energy Package; a number of areas focused at "improving the market" (tariffs, LNG regulation, gas and capacity release programs, and tailored rules for specific markets); sector coupling; and ongoing amendments to the scope of the Gas Directive.

Participants questioned the need for new rules for gas and the role of the Quo Vadis study in this work. EF and Sue Harrison (SH, BEIS) noted that the Commission said it would only propose new legislation where specific problems are identified, and is open to discuss where additional benefits can be delivered. The understanding is that the Quo Vadis study is informing this work but not being treated as an impact assessment for different options.

In terms of timings, the Commission expect proposals to be finalised around mid-2020. The study on sector coupling is most advanced, with a study due to launch in September 2018. SH discussed the Commission's work on renewable gases, noting that the UK is at the forefront of developments in this area and that the Commission is not planning to introduce targets or subsidies, but to ensure there are no barriers to development.

Mike Thorne (MT, National Grid) advised that ENTSO-G & GIE are actively working on a number of studies on the future use of the network, including the Gas Infrastructure 2050 project.

EF and SH also discussed recent work looking at potential amendments to the Network Codes, noting that work in this area has been dropped. Participants discussed the interaction between this work and the FUNC platform, noting that there is no simple process for minor amendments to the Codes to be adopted.

2.2. Storage update:

EF provided an update on a recent FSR-GIE joint workshop on the value of storage in Europe. There is a renewed focus on the role of storage in facilitating decarbonisation, both in terms of providing flexible gas supply for electricity generation and for potentially storing renewable gases. GIE is undertaking a study with FTI looking at the market arrangements for storage and possible interventions to support storage. Some participants noted that there was a disconnect between what the Commission and CEER are saying (preferring market-based approach to storage and cautioning against the distorting effects of interventions), and what some Member States are doing.

2.3. CEER regulatory gas strategy work:

Mark Carolan (MC, Ofgem) provided an update on CEER's work in the area of regulatory gas strategy (see attached). A new stream (Regulatory Gas Strategy work stream) has been created with the aim of identifying what energy regulation can do in order to foster the development of a sustainable gas sector, building on the Future Role of Gas (FROG)

study, issued March 2018. They are currently collecting responses to a questionnaire sent out to NRAs, and plan to issue a consultation document in Q4 2018 summarising the views in this area.

Participants raised the issue that the FROG study did not make any specific future policy recommendations, and whether or not this new work would result in any preferred options being identified. Ofgem will report back with more detail on the plans for this work, when known.

2.4. TAR update:

Ofgem updated on progress with UNC 621. We have now received the Final Modification Report. The UNC Panel did not support implementation of any of the modifications. EF noted the team were reviewing next steps and will provide an update as soon as appropriate.

3. Brexit update

3.1. Codes & licenses update (Ofgem):

Anna Fenton (AF, Ofgem) gave an overview of the work that has been done by Ofgem and Code Administrators to review the codes & licenses, ahead of Brexit. AF highlighted the work that had been done by Ofgem and Code Administrators to review the codes & licenses for references to the EU. Advised that no references had been found that would lead to anything becoming inoperable post Brexit. The consultation on this review run by Ofgem was mentioned, as well as the fact that some references to the EU may require change to provide clarity post-Brexit.¹

This led to a discussion in the room on what is anticipated to happen to the REMIT process, in a no-deal Brexit scenario. BEIS advised that nothing will be confirmed until negotiations are finished, but that they are looking to keep any changes minimal. Market participants were encouraged to get in touch with BEIS or Ofgem to discuss any concerns they had.

3.2. Codes & licenses update (NGGT):

MT advised that NGGT will not be able to raise code modifications until sufficient detail is known about the relevant SIs and the associated licence changes, which can then be cascaded into the codes. They are currently giving some thought to the process. MT noted that the timetable is going to be very challenging, and drew attention to a recent Ofgem letter, which also recognised this. NGGT recognise there may be benefits to the industry of discussing potential code changes with industry ahead of the SIs and licence changes coming into effect.

3.3. BEIS Brexit update:

SH advised that BEIS are working on future legislation, using Statutory Instruments (SIs), as a method to adopt directly applicable EU law into UK law. The aim is that everything that can be retained, will be. Some aspects of EU law cannot be retained as they require

¹ <https://www.ofgem.gov.uk/publications-and-updates/follow-letter-preparing-eu-exit-licence-and-industry-code-modifications>

co-operation with other MS and EU institutions. These issues will need to be resolved in the negotiations on the UK's future economic partnership with the EU.

SH highlighted BEIS's belief that there is no reason gas flows from the rest of Europe will stop post Brexit. There was a wide-ranging discussion on the impact of Brexit in areas such as REMIT, ACER membership, and future cross-border trading arrangements. The overarching conclusion was that there remained considerable uncertainty.

3.4. NGGT Brexit update:

MT outlined that NGGT are working closely with other TSOs, they are keen to ensure that everything continues to work uninterrupted, post Brexit. A discussion on ENTSO-G & ENTSO-E status after March 2019 ensued, MT clarified that NGGT's future relationship with ENTSO-G is not clear at the moment. MT re-iterated NGGT's desire to continue to be involved in European discussions after Brexit.

4. NGGT update (excluding Brexit)

4.1. NGGT TAR NC update:

Phillip Hobbins (PH, NGGT) provided an update, as below, on behalf of Colin Hamilton:

- TAR NC entered law in April 2017, certain aspects aren't applicable until 2019
- UNC 621 is being brought to deliver the majority of the changes that are still required
- All alternatives have been consulted on, and were considered by the mod panel last week
- The panel didn't recommend any for implementation. This doesn't mean changes aren't going to happen
- Panel would like to see an impact assessment on wider market impacts
- NGGT would like to receive Ofgem decision by March 2019
- NGGT will use transmission workgroup to continue discussion on this

4.2. EU gas quality harmonisation update:

PH provide an update on ongoing work by the European Committee for Standardisation (CEN) to resolve the Wobbe Index (WI) question. An in-depth look at the history of gas quality harmonisation was provided, through the attached slide pack. A detailed discussion regarding GB's ability to influence CEN work was held. Currently, it is through NGGT's involvement in ENTSO-G which allows GB stakeholders to be kept abreast of CEN developments in this area. PH advised of CEN's plan to submit a proposal, containing possible scenarios, to the Madrid forum in October. In 2019, it is envisaged that cost-benefit analyses and public consultations will be held, on these scenarios.

A concern was raised, that, any prescribed change to WI range could have huge cost implications to the industry in GB. A question was raised about whether or not Fluxys (Belgian TSO) would ever make gas quality changes that would negatively impact IUK. This possibility was deemed unlikely, but there was uncertainty about this.

PH also gave an update on the ongoing Gas Safety (Management) Regulation (GS(M)R) review. Information on this, given to the Transmission Workgroup in December 2017, can be found [here](#).

Finally, PH confirmed that one aspect of the review is looking at moving the WI specification range, instead of widening it.

4.3. Current EU data exchange issues

PH presented slides on a potential amendment to the EU Interoperability Code, which would see the mandatory application of EU data exchange solutions beyond interconnection points, to include Virtual Trading Points (VTPs) and storage sites (see attached). An update on the recent consultation was given, including NGGT's view that making this change mandatory on operators from a single date is likely to be inefficient, and uneconomic. This counters the view of the majority of stakeholders who responded to the consultation.

A discussion occurred in the room, regarding the likely developments in this area (particularly given that GB view is counter to most respondents). PH clarified that NGGT weren't necessarily opposed to the proposal, but felt that they were more considered than most respondents (i.e. of the opinion that a migration to the Edigas-XML / AS4 standard needs to be done sensibly, if it's going to be done). PH offered that NGGT are looking into the implications of such a change to the Interoperability Code.

5. Wrap up

Next meeting suggested to take place around October, to include:

- TAR implementation update
- Brexit developments

Any other agenda suggestions welcome.