

## Minutes of the 29<sup>th</sup> BEIS/OFGEM EU Gas Stakeholder meeting

Date: 28/05/2019

Time: 14:15 – 16:45

Location: 10 South Colonnade, London  
E14 4PH

### 1. Present

Name	Organisation
Abu Sayeed	Ofgem
Andrea Bonzanni	EDF Trading
Andrew Pearce	BP Gas Marketing Ltd
Chris Wright	ExxonMobil
Christoph Alexander Gräfe	Ofgem
Dipali Raniga	National Grid
Doug Wood*	Doug Wood Associates
Heidi Ranscombe*	Citizens Advice Bureau
Jeff Chandler*	SSE
John Costa	EDF Energy
Julie Cox	Energy UK
Kieran O'Sullivan*	GNI
Kristian Marr	Ofgem
Mark Carolan	Ofgem
Matthew Hindle	Energy Networks Association
Nevile Henderson	BBL
Pavanjit Dhesi*	IUK
Philip Hobbins	National Grid
Ricky Hill	Centrica Energy
Roddy Monroe	Monroe Associates
Stephen English*	Mutual Energy
Stephen Rose	RWE Supply and Trading GmbH
Sue Harrison	BEIS

\*Attended via teleconference

### 2. Ofgem update

2.1. EU Exit:

Kristian Marr (KM, Ofgem) gave an update on Ofgem's preparations for EU Exit. At a high level, KM commented that Ofgem are confident that the regulatory framework is fit for purpose for a range of EU Exit scenarios.

Further KM reinforced Ofgem's message that we are fully committed to maintaining and building constructive relationships with other National Regulatory Authorities (NRAs), post Brexit, and will continue to work with other NRAs to ensure that our regulatory framework is fit-for-purpose across a range of potential EU Exit scenarios.

KM also outlined Ofgem's work on the licence & code changes. Ofgem are prepared to make consequential changes that would be needed to energy company licences if the UK leaves the EU without a deal. The regulator have also engaged with code administrators and panels to support their preparations if the UK leaves the EU without a deal.

KM also advised attendees of Ofgem's work on REMIT preparations:

- Ensuring continued compliance after EU Exit, with the REMIT Regulation to guard against wholesale market abuse.
- Regardless of whether the proposed Withdrawal Agreement is implemented, Ofgem will continue to monitor and enforce GB wholesale energy market integrity and transparency as it does currently.
- In the event of a No Deal EU Exit:
  - o There will be an initial review period during which market participants (MPs) who currently provide data to ACER will not need to send that data to Ofgem.
  - o We will consult with industry stakeholders as part of the review and, if appropriate, will announce the start of GB REMIT data reporting.
  - o We would in that case provide at least a three months' notice to MPs.
  - o During the review period, Ofgem will continue to monitor the market for possible breaches of market integrity. We will be using existing data sources such as trade and order data currently collected from GB brokers and exchanges under Regulation 9 of the Electricity and Gas (Market Integrity and Transparency) (Enforcement etc.) Regulation 2013 as well as publicly available transparency data, and subscription data.

More information is available here:

[https://www.ofgem.gov.uk/system/files/docs/2019/03/ofgem\\_remit\\_communications\\_notice\\_update.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/03/ofgem_remit_communications_notice_update.pdf)

Additionally, this update included information on future interconnector access rules. Ofgem have been engaging with interconnector operators and our regulatory counterparts in the EU to ensure suitable contingencies are in place.

- Electricity: Continental interconnectors (IFA, Britned and Nemo Link) have consulted on Access Rule changes required in the event that a no deal EU Exit results in loss of single day-ahead market coupling. We have worked with neighbouring NRAs to approve these rules. If they are unable to take part in single day-ahead market coupling, they will be able to continue operating under these new rules. The interconnectors are testing their operational preparedness for this scenario
- Gas: We have engaged with interconnectors and neighbouring NRAs to understand the need for changes to access rules and charging methodologies in different EU Exit scenarios. IUK and BBL interconnectors have not identified any changes needed to be made prior to Exit Day to ensure operability. However, limited references to EU law could be changed in future reviews.

A question was asked about solidarity agreements, specifically regarding what will happen to these in the event of a 'no deal' EU Exit?

*Post meeting response from BEIS:*

The solidarity provision in the security of supply regulation doesn't work in UK law in a no-deal EU exit scenario – as it depends on reciprocity from another Member State which cannot be guaranteed. However, this does not affect non-legislative co-operation arrangements for gas emergencies that sit outside the regulation e.g TSO-TSO load shedding protocol between the UK and Ireland.

Further Ofgem updates regarding EU Exit are available on our "Preparing for EU exit" webpage: <https://www.ofgem.gov.uk/about-us/ofgem-and-europe/preparing-eu-exit>

## 2.2. Commission update:

Mark Carolan (MC, Ofgem) gave brief overview of the topics to be discussed at the June Madrid Forum. A draft agenda can be found [here](#).

Robin Dunne (RD, Ofgem) discussed the amendment to the Gas Directive. The new Gas Directive, which entered into force on the 23rd May, changes the definition of the term 'gas interconnector'. The definition no longer refers to interconnectors being solely used for the purpose of connecting the National Transmission System for Member States, and now includes pipelines connecting the National Transmission System of a third country to an EU Member State. Therefore, our interpretation is that UK gas interconnectors will continue to be defined as an interconnector regardless of the post EU-exit scenario.

Christoph Gräfe (CG, Ofgem) provided an overview of the Commission's work on a future EU gas package. He advised that it was likely to consist of three topics (mirroring the Clean Energy Package), upgrading the market (thought to mean improving liquidity / retail market) and sector coupling.

Julie Cox (JCx, Energy UK) made the point that the mirroring exercise shouldn't mean that gas adopts electricity policies, and that it could be that electricity needs to be changed. CG agreed, and provided his view that the overarching intent was that the electricity and gas regulations converged towards something which fit both well.

Sue Harrison (SH, BEIS) outlined BEIS' view of the EU gas package that the Commission is preparing. She said that BEIS supported the Commission's approach of not picking winners, and were pressing them to avoid being too prescriptive. SH encouraged industry to get involved in helping to influence the development of the new gas package. John Costa (JCa, EDF) asked how this could best be done. It was agreed that this forum was appropriate for industry to feedback to BEIS & Ofgem their views on the development of the gas package. It would be good to have a common UK view.

A discussion ensued about the difficulty of making any package technology neutral. Matthew Hindle (MH, ENA) mentioned that he attended the Eurogas renewable decarbonisation meetings, and suggested that this was another pathway for industry to influence the gas package work. Similarly, Dipali Rangia (DR, National Grid) highlighted ENTSO-G's work on the gas package.

## 2.3. ACER & CEER work update:

MC gave an update on relevant ACER & CEER workpackages. The consultation on the report from the Future Role of Gas workstream has closed. There were 75 responses to the 'Regulatory Challenges for a Sustainable Gas Sector'. The next step is for the workstream to consider the responses. The aim is to present findings at the second 2019 Madrid Forum. Similarly an LNG deliverable 'How to foster the LNG market in Europe' is in development, with the same aim of presenting findings at the next Madrid Forum. This report is focussing on initiatives to achieve the goal of fostering the development of LNG market at EU Level, by increasing LNG flexibility and liquidity, removing rigid contracts clauses, simplifying TPA conditions, suggesting new services to foster terminal utilization and exploring ways to promote price signals arise, compatible with the Quo Vadis study of the Single European Gas Market.

A third report, being developed by the CEER Infrastructure workstream is also under consideration. 'Gas Infrastructures and the Energy transition: An analysis of needs and economic evaluation of investments' will develop ideas, amongst other things, regarding the best way to assess future infrastructure decisions, given uncertainty in the future role of gas. This is planned to be completed by the end of 2019.

#### 2.4. TAR update:

MC delivered an update from the TAR team. At the time of the meeting, the Final Modification Report (FMR) was anticipated to be provided to Ofgem 29 May. MC highlighted two recent letters published by Ofgem relating to this matter (our [decision to reject the urgency request for UNC686](#) and our [decision for NGG to undertake certain consultation activities](#)). MC said that Ofgem would consider the FMR and advise on next steps in due course. JCx raised the point that this was a major change to the UNC, and that Ofgem needed to do a detailed Impact Assessment on the various options. She also requested that Ofgem provided more transparency on the process.

### 3. BEIS update

SH spoke about a variety of topics that BEIS are currently engaged in. In particular, an update on the Energy White Paper was provided. This is still being prepared and it is thought that it will be released in the summer of 2019. Work on the new homes connection policy is ongoing, it is planned to consult on this in 2019. BEIS' work on the gas & power interactions was discussed. It is not known if this work will be published. Roddy Monroe (RM, Monroe Associates) suggested that this work should cover the impact to gas prices, as well as physical supply.

Chris Wright (CW, Exxon Mobil) asked about the BEIS/Ofgem work on code governance. He said that there had been some meetings in February, but that no information had been released since then. CW asked for more information.

*Post meeting response:*

Ofgem are currently expecting to consult (jointly with BEIS) in the summer.

### 4. NGGT update

#### 4.1. EU gas quality standardisation update:

Phil Hobbins (PH, National Grid) gave an update on the work being done by CEN (the European Committee for Standardisation) on how to include the Wobbe Index (WI) in the EU standard. PH spoke through the slide pack, which is published alongside these minutes. The next steps of the CEN work are to issue a public consultation on their WI proposals in autumn 2019, with a view to publishing a final report before the end of 2019.

A question was raised about whether or not the CEN work had taken into account the speed of fluctuations in gas quality. PH said that it had.

A discussion was had in the room about the fact that the UK is not represented in the working group who are looking at this issue at CEN. The consensus was that this is because no single party has sufficient resources to commit to the group. Further, JCx pointed out that this work is [similar to that being done by IGEM](#) (Institution of Gas Engineers & Managers). She raised the concern that the IGEM scope may result in changes to the gas quality standard in the UK, only to be superseded by a CEN standard.

## **5. Wrap up**

The meeting closed with an agreement to schedule the next session ahead of the autumn Madrid Forum. This is likely to be in October 2019.