

19th DECC- Ofgem Gas Stakeholder Group Minutes

02/10/15

Chair: Rob Mills, Ofgem

European Updates

Sue Harrison (DECC) noted that the recent Energy Union Communication forecasted a lot of activity. There were currently two Commission consultations, on Electricity Market Design and Resilience, to which DECC will be responding. The Market Design consultation raises the question of whether ACER needs more powers.

It was noted ACER and CEER are reviewing whether ACER's role needs to evolve in light of market developments. Increased cross-border TSO coordination may require greater National Regulatory Authority (NRA) oversight, but some are wary of ACER taking binding decisions. There was concern from various members of the group around ACER's competency on technical issues, their performance in their current role and their engagement with stakeholders. It was also felt that in practice "non-binding" statements from ACER are binding, as there is significant compliance pressure. It was noted that ACER don't use their full suite of existing powers, so there is less justification for them having more powers. It was also felt that there is a confusing overlap of responsibilities between ACER and individual NRAs.

However, there were suggestions that where organisations have to deal with multiple NRAs, there are divergence in their approaches. NRAs may have expertise on national issues but some are less proficient at international issues, and this is where ACER can have real benefits. It was also remarked that where ACER has been given sufficient resource it is capable of producing good work, as displayed in its work on REMIT.

Rob Mills (Ofgem) suggested that a useful action for Ofgem would be to circulate more information on the Governance sections of the July package. Sue asked that stakeholders take the time to respond to the consultations. She noted that a [House of Lords Consultation](#) on EU Energy Governance is underway and suggested that this signifies positive engagement by Parliament in the EU Energy Union agenda.

Gill Campbell (DECC) noted that there are a number of other areas where the European Commission (EC) will be making communications and where stakeholders can engage. Gill remarked that the general message from the EU is they recognise that there is not a single correct answer to Security of Supply, and that one size doesn't necessarily fit all. There are discussions over how those who aren't performing can be inflected, but there is not currently any suggestion that new measures are needed to improve Security of Supply.

Ed Freeman (Ofgem) informed the group that Ofgem have been working with CEER. Ofgem contributed to [CEER's response](#) to the consultation on Regulation 994 and have assisted with the production of a concept paper. Rob noted that Ofgem's engagement with CEER and ACER work is

useful and has led to much improved outcomes in some cases, citing the much improved Incremental Capacity process as an example.

Rob noted that the Framework for Heating and Cooling is potentially important to GB. More information will be circulated. Clare Cattle-Jones (Energy Networks Association) offered to send more information on to Ofgem on this issue.

It was asked if there was likely to be more European focus on LNG and storage. Gill responded that, as many states can't access LNG, there is pressure for EC to do something on the issue. DECC will engage if this needs to happen, but at this point there is no suggestion extra regulation is being considered.

Gill said she has not heard anything to suggest that emergency powers for ACER may be on the agenda. Cooperation requirements might be discussed, but more EC power are unlikely.

Ed informed the group that the EC have published an EC Storage review. Ofgem took the action to circulate the EC Storage document. Gill adds that the document is a matter of fact study, rather than policy recommendations and notes that strategic storage is not likely to be something the EC will be proposing.

European Network Code development

Colin Hamilton (NGG) began his update, and his slides were displayed.

He noted that ENTSOG are now awaiting ACERs Recommendation, which they expect by mid-October in time for the Madrid forum. He notes implementation timelines are potentially extremely tight, especially when consultations are taken into consideration. ENTSOG thinks the implementation period should be 2 years at least.

The proposed changes to the Incremental process remain a concern for ENTSOG, mostly around practicalities. See slides.

It was recognised that improvement have been made and that the issues raised by NGG in their slides should be solvable. However, it was felt that the major issue is the slow progress of the Tariff code. There was concern that there is a chance the new Incremental rules will not be able to be used, until TAR is finished.

Rob noted that QR should have been produced last month, with the delay due to Cost Allocation Methodology issues. There has been NRA disagreement on way forward. We are supportive of an alternative proposal from the French but we will have to see what develops. The next BoR is on Tuesday 13th.

Rob provided an update on the GTCR: this was not driven by tariffs, rather system developments and evolutions in the gas market did this. Ofgem hasn't yet made a GTCR decision. The analysis is available and we think it will be days rather than weeks until we reach a final position. We are having to adapt to changing aspects of tariffs. Rob stated that we don't intend to consult again.

It was asked if work has been carried out to assess the impact of the use of CWD on the GB reserve prices. The GTCR wasn't there to change the methodology but to address discounts and commodity charge levels. Colin responded, saying CWD results would require a model. It can be done, though

hasn't so far. It was suggested that a request was made by industry to do this analysis. He felt it would be useful for comitology so we know impact of changes.

Andrew Malley (Ofgem) gave a brief update on the Incremental consultation. The consultation results are going through the ACER governance process and we believe the process is greatly improved.

Louise Clark (DECC) spoke on the CEN standard on gas quality that was recently agreed, although the UK voted against it because of lack of clarity over the future legal framework. The Commission are intending to amend the Interoperability Code in 2016 to include the CEN standard, but have not clarified how it would apply. DECC has raised concerns with the Commission that an impact assessment has not been undertaken and the impact of this standard on the UK is unclear, and will raise this again when this is discussed at the informal comitology meeting on 20 October. NG, Ofgem and industry are thanked for their involvement which has been beneficial, and DECC will continue to engage with all parties on this going forward.

Mike Thorne (National Grid) added that National Grid intend to consult with industry about the provision of gas quality information as required under the Interoperability code.

European Network Code implementation

Louise informed the group that Option A is in place, with no issues reported so far. Another meeting will be held in mid-January as a review point. Those wishing to attend or contribute should contact Louise for more information.

Andrew Pearce (BP Gas Marketing Ltd) noted that some users experienced Gemini issues.

Chris Logue (NGG) agreed that there were one or two teething problems with nominations, particularly with freezing screens. Those shippers that were affected were contacted. There was generally good functionality.

Francisco Goncalves (Gazprom M&T) noted that they had issues with re-nominations.

Chris said that at this point, re-nominating a re-nomination is not possible until confirmation of the previous re-nomination has been received. 18th October is the expected fix date.

Chris thanked attendees for the help over the last few months, with 12 UNC mods, various interconnection agreements and system projects completed. There is still some way to go including the Prisma capacity "go live" soon. Feedback is invited to assist with lessons learned. The Bacton split outcome is well known, with oversubscription and prorating utilised. Process wise, this has been successful.

Mike added that 510v has gone through, 525 was IC agreements, again a success. 519, the implementation of common units, will be live from May. GasTerra are assisting with one remaining issue at the BBL IP.

Neville Henderson (BBL) added that they have IC agreement consultation, with formal approval from Ofgem. Remaining issues will be sorted by Q1.

Pavanjit Dhesi (IUK) added that all NC implementation for IUK is complete, with Prisma capacity sales soon. There are various consultations running at the moment, any meetings or discussions welcome.

Nevile spoke about CAM. Their consultation on access rules closed Wednesday 30th September. IT changes going ahead, and BBL expect to be compliant for 1st November. Prisma will be a change, and a VRF function will be available on Prisma. They are offering a reshuffling service, but cannot do this once CAM is implemented, so approaches are invited before 26th October.

AOB

Rob said there has been a large change process. We think this is a useful forum and we are keen for feedback or improvement suggestions. Any presentation proposals welcomed. We will propose early- to mid -December for next meeting and will send out proposed dates.

Actions Taken

Party	Action
Ofgem	Ofgem to circulate more information on the Governance sections of the July package. The Electricity Market Design ¹ p12 and Framework Strategy for a Resilient Energy Union ² .
Ofgem	More information will be circulated on Framework for Heating and Cooling.
Energy Networks Association	Energy Networks Association to send more information on to Ofgem on Framework for Heating and Cooling.
Ofgem	Ofgem to circulate the EC Storage document ³
Stakeholders	Those wishing to attend or contribute to a review meeting on Option A in mid-January should contact Louise Clark (DECC) for more information.
Stakeholders	Those wishing to attend or contribute to the next stakeholder meeting in December should contact Andrew Malley or Melanie Abraham for more information.

Attendees

Name	Organisation
Nevile Henderson	BBL
Andrew Pearce	BP Gas Marketing Ltd
Roddy Monroe	Centrica Storage
Tim Walls	Conoco Phillips
Manda Goodwin	Conoco Phillips
Gill Campbell	DECC
Louise Clark	DECC
Sue Harrison	DECC
Nick Clements	DECC
Dionne West	DECC
Natasha Ranatunga	EDF Energy
Clare Cattle-Jones	Energy Networks Association

¹ http://ec.europa.eu/energy/sites/ener/files/documents/1_EN_ACT_part1_v11.pdf

² <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2015:80:FIN>

³ <https://ec.europa.eu/energy/sites/ener/files/documents/REPORT-Gas%20Storage-20150728.pdf>

Caroline Rossi	ExxonMobil
Alex Barnes	Gazprom M&T
Francisco Goncalves	Gazprom M&T
Lucy Manning	Gazprom M&T
Colin Lyle	GMI
Pavanjit Dhesi	IUK
Robert Sale	IUK
David Cox	London Energy Consulting
Chris Logue	National Grid
Colin Hamilton	National Grid
Mike Thorne	National Grid
Marshall Hall	Oil and Gas UK
Stephen Rose	RWE Supply and Trading GmbH
Jeff Chandler	SSE
Terry Burke	Statoil
Samia Adel	Storengy UK
Graham Craig	UREGNI
Nick Wye	Waters Wye
Nicola Pitts	National Grid
Martin Baker	Xoserve
Audrey Nugent	Chemical Industries Association
Sean Hennity	Ofgem
Andrew Malley	Ofgem
Ed Freeman	Ofgem
Bogdan Kowalewicz	Ofgem
David Reilly	Ofgem
Melanie Abraham	Ofgem
Nathan Macwhinnie	Ofgem
Rob Mills	Ofgem
Sarah Bradbury	Ofgem