

# 20<sup>th</sup> DECC- Ofgem Gas Stakeholder Group Minutes

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27/11/15

Chair: Sue Harrison, DECC

## European Updates

Sue Harrison (DECC) notes that the European Commission (EC) is now expected to publish the Winter Package in February 2016. The delays are believed to be down to lengthy internal processes. The Winter Package comprises the revision of the Security of Supply Regulation and the Decision on Intergovernmental Agreements and the LNG and storage strategy.

Rob Mills (Ofgem) gave an update on the Madrid Forum –

- Klaus-Dieter Borchardt (EC Director for DG Energy) was clear that the current Security of Supply Regulation works, and that while improvements are possible, no “reinventing of the wheel” is necessary. It is agreed that non-market tools should only be used in emergency situations.

Sue noted that the EC carried out stress-testing to analyse the impact of an incident in various member states. These showed regional co-operation reduced the impacts, and therefore there are suggestions that limited regional cooperation may be mandated. ROI-UK relationship is held up as model.

Steve Rose (RWE, Eurelectric) asked what would happen after the publication of the Winter package. Sue stated that it is expected the Dutch presidency will hold regular meetings on the IGA and SoS. The presidency will move to Slovakia in the second half of 2016, who have already indicated SoS will be a top issue.

Marshall Hall (Oil and Gas UK) asked whether the Corrib gas field would affect the ROI/GB/NI cooperation agreement? Graham Craig (UEGNI) suggested that as there aren't physical reverse flows at Moffat, there would be limited impact. Mike Thorne (NG) noted there is a joint preventative action plan, and this hasn't changed since the development of Corrib.

- Tariffs and CEN gas quality were also key topics at the Madrid Forum (but are discussed under their respective agenda items in this meeting).
- There was a presentation on ENTSOG and ACER's Joint Functionality Process, which will measure both compliance with and impact of the Network Codes. This meets the requirements of regulation 715/2009. The process will provide a method for stakeholders to identify issues. ENTSOG will manage a Bulletin Board which collects issues, which will be categorised and prioritised. The national issues will be passed to the respective NRAs. The joint coordination team (ACER and ENTSOG) will take on the remaining ones, with input from Task Force Chairs, where relevant. Rob noted that this was an early stage framework but seemed sensible. There was talk of

launching a trial in December – anyone will be able to register and see how the process works.

The group asked whether this might be the start of a network code modification process? The commission is currently keen not to amend legislation. However, our experience of the GB codes shows how frequently modifications are needed.

Marshall asked about DECC's views on the Energy Union communication which issued on the 18 November. Sue said that there was little to object to from the UK's point of view. Each Member State had been given the opportunity to comment on their country fiche before the publication came out and although ours required a number of changes, these appeared to have all been taken on-board. The communication did note we were not on course to meet our 2020 Renewables Target.

Congestion Management Principles: Alex Barnes (Gazprom M&T, EFET) talked about the ACER report which shows contractual congestion on the interconnectors between the UK and the continent, even though hub prices are convergent. If contractual congestion is deemed to exist next year, then the code requires us to implement day-ahead Use-It-or-Lose-It, which will cause renomination barriers.

The problem has come about because the definitions of contractual congestion are wrong. At the Madrid Forum, the price convergence was recognised, although he wasn't sure this had been noted in the conclusions. He noted that the German market is still showing capacity congestion after implementing the Use-It-or-Lose-It, so the solution doesn't work. It was felt that an Oversell and Buy Back would work better. It was also noted that amending these definitions would require the Code Modification process, as discussed above. Rob confirmed the issue was on Ofgem's radar, felt the Madrid Forum write was simply diplomatic, and noted the opinions at the meeting.

### **Code development**

Colin Hamilton (National Grid) presented his slides.

Colin notes the [PWC IA](#) has been published. Madrid forum invitees are likely to be invited to the information meeting the Commission is holding on 15 December. Marshall asked how stakeholders can find out what goes on in comitology meetings and Sue said that she will let stakeholders know. Marshall asks what would happen if the NC did not receive a QMV majority and Sue said that compromises would have to be found so that the code could be adopted.

Alex questioned whether the economic test could be moved to Incremental, so that it could be separated from the tariff code and adopted in good time.

CEN gas quality standard: Rob stated that Ofgem will be co-chairing the Interoperability Task Force, which is a strong position to be in. We also have support for our position from Ireland. Rob noted the concern there that the scope will be greater than just at interconnection points – there may be references in the text to Domestic Entry Points.

It was highlighted that there is also a 2<sup>nd</sup> phase of the CEN work, which is looking at harmonising the Wobbe index, currently at early stages. If the Commission were to make this mandatory by including it in the INT code this could be problematic for us. Marshall was concerned about the CEN spec on CO<sub>2</sub>, O<sub>2</sub> and sulphur and noted that there is a tension between the obligation to maximise offshore gas production and compliance with the CEN gas standards. Sue said that DECC have sent the Commission a UK position paper outlining our concerns. Marshall suggested Norway could be also concerned.

The timelines are: Commission to write to ENTSOG next month and the amendment could take a year, which will take us to 2017.

### **Implementation of the Network Codes**

Mike Thorne (National Grid) presented his slides.

Mike was grateful for the engagement of stakeholders and said that the network code “lessons learnt” is planned to take place on 7<sup>th</sup> January following the Transmission Workgroup, and stakeholders will be invited.

Pavanjit Dhesi (IUK) gave an update on implementation by IUK. He said CAM and BAL had been fully implemented, including surrendered capacity.

He said that following the consultation, IUK have decided not to proceed with their charging methodology amendments. There is no pre-2018 capacity available so there is no rush.

Neville Henderson (BBL) gave an update on implementation by BBL. He stated that BBL is now selling capacity on Prisma. All codes appear to have been implemented so far without too many problems.

### **AOB**

Colin Lyle asked for an update on the [Copenhagen Infrastructure Forum](#). Mike said that this was a Dual Fuel political launch on the need for investment. The main question was whether Europe’s energy infrastructure was fit for purpose. Gas market coupling, cooperation and merging of hubs were all discussion topics. There was also a discussion about the difficulty in spurring investment within a climate of low prices, and questions around the future of gas. The forum was chaired by Klaus-Dieter Borchardt and had some strong links with the Madrid Forum. At the forum it was noted several times that gas is the natural partner for renewables.

Marshall and Alex believe that the EU gas demand projections are damaging infrastructure investment and could be creating a negative feedback loop.

Date of next meeting: After the publication, but before the 1<sup>st</sup> comitology meeting of TAR – first week of March.

## **Attendees**

<b>Name</b>	<b>Organisation</b>
Nevile Henderson	BBL
Andrew Pearce	BP Gas Marketing Ltd
Ricky Hill	Centrica Energy
Roddy Monroe	Centrica Storage
Manda Goodwin	Conoco Phillips
Sue Harrison	DECC
Lizzie Lunn	Energy Networks Association
Peter Dorsett	ExxonMobil
Alex Barnes	Gazprom M&T
Francisco Goncalves	Gazprom M&T
Colin Lyle	GMI
Pavanjit Dhesi	IUK
Colin Hamilton	National Grid
Mike Thorne	National Grid
Fred Frazer	NI Dept of Enterprise Trade and Investment
Marshall Hall	Oil and Gas UK
Stephen Rose	RWE Supply and Trading GmbH
Gerry Hoggan	Scottish Power
Marine	Storengy UK
Graham Craig	UREGNI
Nick Wye	Waters Wye
Andrew Malley	Ofgem
David Reilly	Ofgem
Dora Ianora	Ofgem
Matthew Van Horen	Ofgem
Melanie Abraham	Ofgem
Michelle Toussaint-Bourne	Ofgem
Rob Mills	Ofgem
Sean Hennity	Ofgem