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Document title: Summary of Responses for PC_2015_G_01

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Public Consultation
on the Oil & Gas UK proposal to amend the
Gas Network Codes CAM and BAL in order to
retain the UK Gas Day

PC_2015_G_01

Summary of Responses

18 March, 2015

1. Process and legal basis

On 24 July 2014, the Agency for the Cooperation of Energy Regulators (the Agency) received the joint submission of Oil & Gas UK (OGUK) and the Gas Forum for an amendment proposal to the Network Codes on Capacity Allocation Mechanisms (NC CAM)¹ and Balancing (NC BAL)². The proposed amendment would allow the UK and the Republic of Ireland to derogate from the obligation of adopting the common times of the Gas Day as defined by Article 3(7) of the NC CAM.

This amendment request is dealt in accordance with Article 7 of Regulation (EC) No 715/2009³. The same article also specifies that amendments proposed to the Agency by persons who are likely to have an interest in a network code shall be consulted by the Agency with all stakeholders in accordance with Article 10 of Regulation (EC) No 713/2009⁴.

As the original submission was considered incomplete, partly unclear and not sufficiently substantiated, the Agency requested further clarification and supporting data from the submitting parties on 3 October and 23 December 2014.

In order to evaluate whether the amendment request merits further consideration the Agency had to collect and assess EU stakeholders' views. Only after doing so, it may make reasoned proposals for amendments to the Commission or stop the process.

From 19 January 2015 to 9 February 2015 the Agency run a public consultation on the UK Gas upstream industry proposal, inviting all interested parties to to reply to the following consultation questions:

1. Respondent's name & contact details, name & type of organisation or stakeholder
2. Please provide a short description of your interest, motivation & role in this amendment proposal.
3. Do you support, oppose, or have a neutral position towards the proposed amendment being further considered by ACER? Please specify the main reasons why you think ACER should or should not pursue this amendment request.

2. Stakeholders' responses

26 stakeholders responded to the public consultation. All of them provided non-confidential submissions that have been published on the Agency's website⁵ on 12 February 2015. The list of

¹ COMMISSION REGULATION (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009 of the European Parliament and of the Council, OJ L273/5, 15.10.2013

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0984&from=EN>

² COMMISSION REGULATION (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks, OJ L91/15, 27.03.2014

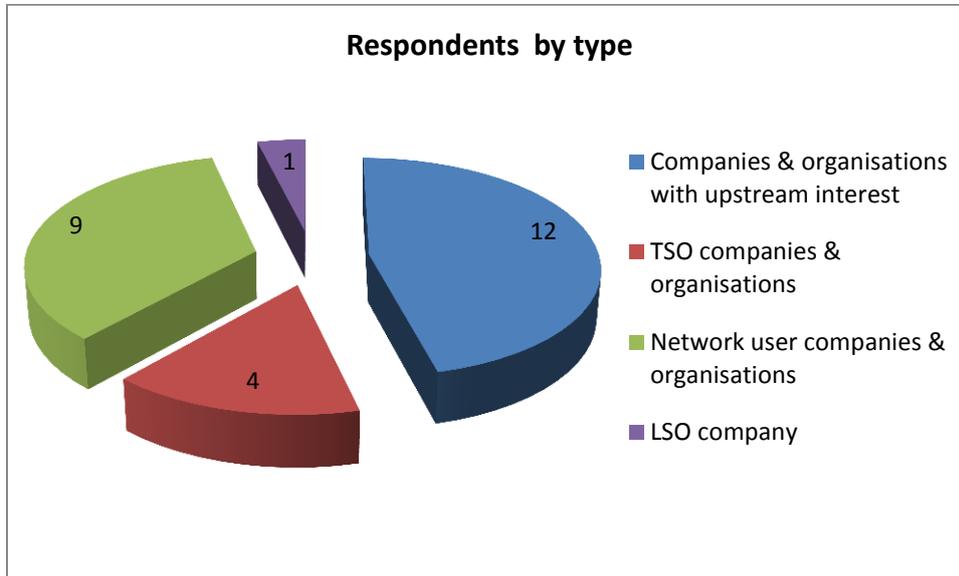
<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0312&from=EN>

³ OJ L 211, 14.08.2009, p.36

⁴ OJ L 211, 14.08.2009, p.1

⁵ http://www.acer.europa.eu/Official_documents/Public_consultations/Pages/PC_2015_G_01.aspx

respondents (with type of organisation, value chain segment and origin) can be found in Annex I; a rough categorisation of stakeholder types is provided in the following chart.



The largest group of respondents to this consultation have an interest in the upstream sector (mainly in the UK). Producing companies in the UK often have (UK) downstream shipper licenses as well, as they are active as suppliers or traders. Four of the upstream respondents are also terminal operators.

The Agency’s understanding of the general positions of the individual respondents on the proposal submitted by OGUK is provided in the following table:

OGUK amendment proposal - positioning	Number	Stakeholders
Support	14	Centrica, Gazprom M&T, BG Group, Total, SSE, BP, COP, Corona, EMIL, Marathon, Petronas, Shell, South Hool LNG, OGUK
Support / Neutral	1	IOGP
Neutral	2	EFET, Energy UK
Neutral / Opposition	1	EDF
Opposition	8	BBLC, EASEEgas, Enagas, ENI, ENTSOG, GasTerra, National Grid, Statoil
Total	26	

The individual interests, motivations and roles of the respondents to the consultation on the OGUK amendment proposal are manifold. The individual answers to question #2 of the consultation provide some insight into those individual interests. These are not summarised here.

The main arguments and reasons for a support or opposition expressed by the stakeholders are summarised in the following table:

Arguments raised in <u>support</u> of the OGUK amendment proposal (“keep UK Gas Day”)	Arguments raised in <u>opposition</u> to the OGUK amendment proposal (“uniform EU Gas Day”)
<ul style="list-style-type: none"> • A change is unnecessary and costly (>30m£) for producers and downstream network users • Different Gas Days in the UK and continental Europe have not hindered cross-border trade so far • Cross-border trade (in the UK region) cannot further improve, as within-day flexibility is already provided for • Gas from the UK Continental Shelf will face a risk premium (competitive disadvantage), if the UK upstream and downstream players would operate under different Gas Days • NBP’s liquidity is at risk, as some producers may then deliver gas to the “beach” (instead of NBP) • No benefits could be expected from this provision to the downstream shippers • No obstacles currently present at NBP (NBP is performing best in EU) • Interim solution (“option A”) may not be implemented on time • No legal obligation for upstream to change • No cost-benefit analysis for uniform EU Gas Day has been done • Inadequate consultation in the NC CAM process for producers 	<ul style="list-style-type: none"> • Uniform Gas Day implementation is already ongoing, and costs have been already faced (e.g. for IT changes) → a revision of the implementation would be difficult and costly, and additionally implementation timelines could not be met, if the amendment goes ahead • Difficulties to introduce bundled products (e.g. at Bacton), if gas day is not harmonised • Removes an existent trade barrier, as due to non-harmonised Gas Days: there is a need to buy capacity products on both sides of a border for two consecutive days, to cover the desired 24 hours • Benefits of a uniform Gas Day for the UK gas hub and the surrounding hubs through closer linkage between them • Uniform Gas Day needed to remove complexities in Balancing • Potential loss of possible efficiency gains for operators active in several EU markets and with a potential to benefit from a harmonised gas day • EU harmonisation is the agreed goal, there should be no exceptions / derogations • The proposal is counterproductive and a “step backwards” in the development of the Internal Energy Market. • (Interim) solutions are under development and could make transition possible • UK Gas Day is a domestic issue • Gas Day issue has been discussed during NC CAM development and some producer organisations as well as producers were present in the debate

3. Summary

The consultation brought up very few new arguments in favour of the amendment proposal, compared to the original submission (and addenda).

Supporters of the amendment proposal, as expected, are mainly parties with an upstream interest. They often claim that the costs (also for shippers) are much larger than the benefits and that a Cost-Benefit Analysis was not done before. They mention the risk for a liquidity decline at the NBP, the need for a common UK gas day and that trade at the NBP & with adjacent markets is already very well-functioning.

The opposing respondents refer to costs already spent for the implementation of the EU harmonised gas day; the difficulties to meet the implementation deadlines if rules are reversed; the need for harmonisation to remove trade barriers and to enable capacity bundling.

Some respondents (mainly the neutral ones, but also some opponents and supporters) demand a quick decision, others a clear governance for amendments with an adequate timeline. The publication of a timeline for a final decision and/or for a modification process is desirable, in the view of the respondents, as the current uncertainty in the market shall be removed.

One respondent also proposed a compensation for upstream operators to adhere to the uniform EU gas day and an additional 12 month implementation period. Other solutions proposed in case of different gas days in UK downstream and UK upstream were shifting the risks and costs solely to the TSO, by obliging them to manage the one hour difference through linepack flexibility.

Annex I - List of Respondents providing non-confidential submissions

No	Name	Type of organisation	Segment	Country of Origin
1	BBL COMPANY	Company	TSO	The Netherlands
2	BG Group	Company	Producer, Network User	UK
3	BP	Company	Producer, TO, Trader	UK
4	CENTRICA	Company	Producer, Network User	UK
5	CONOCO PHILLIPS (UK)	Company	Producer, TO, Network User	UK
6	CORONA ENERGY	Company	Network User	UK
7	EASEE-GAS	Association	Wholesale, retail and distribution	Europe
8	EDF GROUP	Company	Network User	France, UK
9	EFET	Association	Network User / Trader	Europe
10	EXXONMOBIL INTERNATIONAL	Company	Network User	UK
11	ENAGAS	Company	TSO	ES
12	ENERGY UK	National association	Network User / Trader	UK
13	ENI	Company	Producer, Network User	IT
14	ENTSOG	Association	TSO	Europe
15	GAS TERRA	Company	Network User	The Netherlands
16	GAZPROM M&T	Company	Network User	UK
17	IOGP	Association	Producer	Europe
18	MARATHON OIL U.K.	Company	Producer, Network User	Uk
19	NATIONAL GRID GAS	Company	TSO	UK
20	OIL&GAS UK	National association	Producer	UK
21	PETRONAS ENERGY TRADING	Company	Network User, Trader	UK (Malaysia)
22	SHELL UK & SHELL ENERGY EUROPE	Company	Producer, TO, Network User, Trader	UK
23	SOUTH HOOK GAS	Company	LSO	UK
24	SSE	Company	Producer, Network User	UK, IRL
25	STATOIL	Company	Producer, Network User	Norway
26	TOTAL E&P UK	Company	Producer, TO, Network User	UK



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