

# ACER 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

## Consultation Response

### 1. Name & type of organisation or stakeholder

Energy UK is the trade association for the energy industry. We represent over 80 members<sup>1</sup> made up of generators and gas and electricity suppliers of all kinds and sizes as well as other businesses operating in the energy industry. Together our members generate more than 90 per cent of the UK's total electricity output, supplying more than 26 million homes and investing in 2012 more than £11 billion in the British economy.

### 2. Please provide a short description of your interest, motivation & role in this amendment proposal

Energy UK has been actively involved in workgroups led by government (DECC), Ofgem and National Grid over the past two years on the implementation of EU codes in Great Britain and in particular the move to a 5-5 gas day from the existing 6-6 gas day which is a requirement of the CAM code. Our members include most of the shipper / suppliers to the domestic sector and the vast majority of gas-fired generation operators. Hence our interest in this issue focuses on the efficient operation of the gas market in GB which is supported by appropriate allocation of costs and risks which in turn leads to the best outcomes for customers.

Our members were actively engaged in the development of a modification to the Uniform Network Code (UNC) to agree the detailed changes necessary to move to a 5-5 gas day for the GB onshore regime and for National Grid and shippers to achieve compliance with the CAM code by October 2015. Ofgem determined in March 2014 that this change should be made. Since then our members have been working towards making these changes to their IT systems to meet the 1 October 2015 target and in many cases expenditure has already been incurred.

Our interest in this issue continues since one part of the gas supply chain, the UK Continental Shelf offshore / production has indicated that the costs of making changes to a 5-5 gas day are large, the timescales are not achievable and it is not legally required to make this change. This potentially leads to there being two gas days operating across the entire gas supply chain. The consequences of this arise at the beach / onshore interface where shippers will risk a mis-allocation of gas at variance to what has been nominated against production contracts. This mis-allocation will in turn give rise to additional costs, which shippers cannot control, through imbalance and scheduling charges and could

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<sup>1</sup> List of members appended

lead to a degradation in balancing performance as shippers will be less confident in their balance position within day.

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.

Energy UK position: **Neutral but timescales are critical**

Energy UK members would prefer that there is a consistent gas day applied across the entire gas supply chain, whether this is 5-5 or 6-6. This would minimise the risks and costs of mis-allocation of gas at UKCS beach entry points. Hence we adopt a neutral position with respect to this change.

However timescales are critical as shippers are already making changes to their IT systems to support a change to a 5-5 gas day from October 2015, which would need to be unwound if the 6-6 day were to remain. Therefore a firm direction is needed from ACER as soon as possible.

Energy UK is concerned that any delay in providing a recommendation following this consultation would simply further extend the timescales required to find an acceptable solution on an enduring or 'interim' basis for the GB regime.

Currently representatives from all parts of the gas supply chain are working with DECC on an 'interim' solution which could be in place for October this year. It is however not certain that this can be achieved and in any event this would only reduce the mis-allocation of gas rather than eliminate it entirely. It is also the case that the duration of the 'interim' period has not yet been agreed such that shippers could, if this became an enduring arrangement, face the risk of a sub-optimal arrangement for gas allocation until GB domestic sources are exhausted.

To summarise:

If GB were to remain on a 6-6 gas day, the gas allocation issue at the beach would be solved but other issues would arise:

- Sale of bundled capacity at IPs to the UK. We note that the interconnectors to the UK already manage the mismatch between two different gas days for unbundled products, but at least IUK have planned for a balancing system based on a harmonised gas day and would need to revise that system.
- Can IT systems changes be made / unwound in time. Especially to National Grid's IT systems
- An interim period may still be necessary

If GB were to move to a 5-5 gas day, downstream shippers and National Grid can achieve system changes by October 2015. There are 29 gas entry sub-terminals, it is expected that IPs, storage and LNG entry points will move to a 5-5 gas day but issues remain whilst upstream production remains on 6-6 day (we understand that currently a number of gas entry sub-terminals will not move to a 5-5 gas day by October 2015, nor have plans to do so beyond that date):

- Mis-allocation of gas between shippers at beach entry points
- Imbalance and scheduling costs to shippers, with imbalance costs that are outside of shippers' control
- Variance between allocation and production take on contracts
- Interim solution being achievable
- Definition of interim period
- NBP liquidity could be affected
- Lack of driver for upstream to move to 5-5 gas day

The issues are complex and inter-related there is no simple, low cost solution but whether ACER decides to reject this change or develop it further, we urge that clarity is provided as soon as possible to minimise any further impact of the lack of a decision and the further uncertainty this would create. We hope ACER will make a recommendation within **1 month** of this consultation closing and if that

decision is to pursue an amendment to the CAM and BAL codes that a timeline is published at that time detailing next steps and a final decision date.

Energy UK would be happy to discuss these points further, in the first instance please contact [REDACTED], details below.

09 February 2015

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[REDACTED]

## MEMBERS OF ENERGY UK

### CORPORATE MEMBERS

AES UK HQ  
Barking Power  
Carron Energy  
Centrica Energy  
Corby Power  
CRF Hydropower  
Dong Energy  
Drax Power  
E.ON UK  
EDF Energy  
EDF Trading  
ScottishPower  
Eggborough Power  
ESB  
First Utility  
Flow Energy  
Garbhaig Hydro Power Company  
GDF SUEZ  
Good Energy  
Green Frog Power  
Guernsey Electricity  
InterGen  
Jersey Electricity  
Lynemouth Power  
RWE npower  
Manx Utilities  
MPF Holdings  
National Grid  
Natural Power  
Nuclear Decommissioning Authority  
Optimum Energy  
Opus Energy  
RES  
Osaka Gas

### CORPORATE ASSOCIATE MEMBERS

ABB  
Allen and Overy  
Alstom Grid  
Alstom Power Service UK  
APX Group  
Biossence  
Bircham Dyson Bell  
CGI  
Chubu Electric Power Co  
Deloitte  
DLT Consulting  
DNV KEMA  
Doosan Babcock Energy  
Electroroute  
Elexon  
Energylinx  
ESCP Europe  
Fichtner Consulting Engineers  
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