

Current Status

The main focus of Ofgem and BEIS preparations have been for a no deal scenario.

To avoid a no-deal hard Brexit, the UK needs to agree a Withdrawal Agreement to include the transition period (until end 2020, whilst future trading arrangements are negotiated), citizens' rights, and the financial settlement. The EU summit on November 25th agreed a deal, and now this goes to the UK parliament for approval on December 11th. If passed, EU member states will then meet to ratify the withdrawal agreement.

However BEIS, Ofgem and National Grid are continuing to progress work for a 'no-deal' scenario. In such a scenario, participation in ENTSOG is expected to cease. If a Withdrawal Agreement is approved, then during transition, participation in ENTSOG is more likely. Post transition involvement will be subject to negotiations on the Future Trading Arrangements.

Licences and code changes

Our objective is for all codes and licences to remain fit for purpose on the day the UK leaves the EU and to minimise uncertainty for market participants. Ofgem reviewed the licences and code administrators the industry codes – the findings were consulted on and no provisions have been identified which may prove to be inoperable on exit day. However, amendments may be required to electricity and gas licences and codes.

In a no-deal scenario, to maintain the operability of legal framework, BEIS updated that Statutory Instruments (SIs) will be used to redirect the references to EU legislation in the industry codes and other legislation. Once the SIs are published (expected December 2018/January 2019), industry codes and licences would need to be amended and point towards the SIs, in the event of a no-deal scenario.

BEIS are working on the SIs, Ofgem will lead on changes to licences and code administrators on the code changes. Ofgem is planning to communicate the timeline and approach for the licence changes to industry shortly. We are minded to publish our Statutory Consultation in January, provided the SIs are published.

Interconnectors

In a no-deal scenario, changes to the applicable legislative framework will mean Interconnector Agreements between National Grid Gas and neighbouring TSOs will need to be updated. Once the SIs have been published, the changes can then be expedited.

Gas interconnector owners/operators are engaging with the relevant EU national regulators to ensure gas continues to be traded based on the rules in the Capacity Allocation Mechanisms Code, and to understand any requirements for re-approval of their access rules. Changes to domestic legislation are needed in Ireland, Belgium and the Netherlands to allow for existing rules to be applied to the UK as a third country and regular dialogue is continuing. This is progressing well and all stakeholders agree in principle about maintaining current arrangements.

PRISMA

Following the vote by PRISMA shareholders in October 2017 to change the Articles of Association (AoAs), such that there should no longer be a barrier to UK TSOs using PRISMA to sell capacity after EU-Exit. Changes to the AoAs regarding eligibility of shareholders now read:

Article 11

- 1. Shareholders of the company consist only of gas transmission system operators that use or commit to use the platform directly or indirectly, and that are members or associated partners of the European Network of Transmission System Operators for Gas (“ENTSOG”) or that are located in the United Kingdom of Great Britain and Northern Ireland.**

UK use of PRISMA will therefore continue as before

EUETS

In a no deal Brexit, UK would leave the European Union’s Emissions Trading system, with commitments instead to be met via a carbon tax. In this scenario the EU ETS would cease to apply to the UK on the 29th March.

Alternatively, in a ‘deal’ scenario, the Withdrawal Agreement confirms we will stay in the EU ETS until the end of the Implementation Period and then ‘implement a system of carbon pricing of at least the same effectiveness and scope’.

If a Brexit deal is agreed, continued participation in the EU ETS is possible

REMIT

REMIT changes will not be confirmed until negotiations are concluded, however BEIS are looking to ensure that any changes will to process will be minimal.

- Key messages on REMIT have been shared previously by Ofgem REMIT colleagues with another EnergyUK
- In any Brexit scenario REMIT will endure within the UK legal framework. Ofgem’s powers will remain the same.
- There are some technical points to be addressed in the case of a No Deal – specifically with regards to registration and data reporting.

Ofgem plans to communicate these formally via an open letter around the end of November. In short, we expect this communication to set out the following:

Registration: We plan to unilaterally recognize ACER registration codes when used in GB post EU Exit. This means parties currently registered with Ofgem, UREGNI, or an EU27 NRA will not need to take any action to be registered (from a REMIT perspective) to trade in GB.

Reporting: REMIT data related to GB wholesale markets will no longer be reported to ACER. Instead there will be a review period post EU Exit, following which data will be reported to Ofgem. We expect to consult and give industry 3 months' notice before commencing REMIT data reporting to Ofgem.

[Note – since the gas operational forum was held, Ofgem have now published their guidance on no-deal contingencies for REMIT: <https://www.ofgem.gov.uk/publications-and-updates/no-deal-eu-exit-remit-contingency-arrangements>.]

Next Steps

Businesses are reminded to look at their own commercial arrangements and EU activities to ensure that gas trade can continue in a 'no-deal' scenario. This includes engaging with interconnected MS, NRAs and TSOs as appropriate.

In terms of engagement, Ofgem and BEIS will attend future Gas Operational Forums to allow for regular dialogue on Brexit preparations, including the January Forum, following on from the Parliament vote on December 11th. The Ofgem EU stakeholder group¹ provides further opportunities for dialogue.

Contacts for any questions

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¹ <https://www.ofgem.gov.uk/gas/wholesale-market/forums-seminars-and-working-groups/european-forums/deccbeis-and-ofgem-stakeholder-group>