

# Gas Markets Newsletter

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## Welcome

Welcome to the latest edition of our Newsletter!

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## A Message from Chris Logue – Head of Markets

The period since the March newsletter has been a busy one as is often the case as we move into summer and look ahead to the forthcoming winter. As discussed in March's newsletter, the markets team at National Gas Transmission have supported efforts to improve the UK's security of supply and are continuing to do so with the development of further Demand Side Response (DSR) arrangements.

Transmission charging also continues to be a topic that generates a lot of interest and one that we have been further engaging with industry. Following the publication on 31<sup>st</sup> May of Transmission Services Charges for October 2023, we held a webinar on 26<sup>th</sup> June. Details can be found [here](#). Non-Transmission Services Charges for October 2023 will be published towards the end of July. Details of a webinar to discuss these charges will be published shortly.

Further afield, PRISMA (Europe's largest platform for gas capacity trading) held its 10 year anniversary, albeit slightly delayed due to covid, which marks a significant milestone for the European Commission's objective of a single platform to buy gas capacity across the continent. National Gas is not only a shareholder of PRISMA but also plays a key role in developing its

future strategy. All our interconnection capacity at Bacton and Moffat is marketed on Prisma alongside that of our neighbouring TSOs.

We also responded to a request from US Deputy Assistant Secretary Joshua Volz. DAS Volz has a remit that covers Europe, Eurasia, Africa, and the Middle East in the Office of International Affairs at the US Department of Energy and he wanted to meet to discuss gas transmission and the UK's role in European energy security as a gas bridge into Europe. The US has a significant role in supplying gas to the UK through Liquefied Natural Gas and this was an area of discussion alongside our Project Union hydrogen plans.

National Gas Transmission have recently hosted a series of webinars, Shaping the Gas Transmission System of the Future. This included a session hosted by the team on 29<sup>th</sup> June "Commercial Frameworks". We've seen unprecedented rate of change to industry codes which underpin the electricity and gas wholesale markets, this session discussed these changes and the direction of travel for the industry. If you missed the session, you can view the recording [here](#). We welcome your input on how we can continue to improve the process, our communication with the market and discuss the physical and commercial impacts for customers and stakeholders. To ensure you don't miss any future events, you can sign up [here](#).

[Chris Logue](#)

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## Supporting Security of Supply

### Demand Side Response (DSR)

We have continued to work intensively with many customers and stakeholders to further develop Demand Side Response arrangements ahead of Winter 2023/24. Following a review of reforms implemented last winter and discussion about areas to focus on this year in UNC Request Workgroup [0835R](#), those areas were prioritised to focus on delivering the ability for consumers to contract for DSR directly with NGT and a D-5 DSR product, as well as other enhancements following last winter's review. UNC proposals [0844](#) and [0845](#) were raised by NGT to deliver these reforms which have been developed through their Workgroup phase at an accelerated pace to enable their implementation in time for the DSR options annual tender in August, whilst also in parallel seeking views of industrial consumers on the proposals. At the time of writing, these UNC proposals have completed their passage through the Workgroup phase on schedule and the Workgroup Reports have been submitted to the UNC Panel seeking approval to progress to the formal consultation period.

Should the proposals be implemented by Ofgem, changes to our DSR Methodology and Licence will also be required. We plan to consult on the DSR methodology changes and also on draft standard conditions of contract that would apply between NGT and a consumer to support direct contracting concurrently with the UNC modifications. It will not be possible to complete changes to the Licence ahead of the publication of the DSR options tender, therefore NGT plans to seek the necessary derogations from Ofgem to accompany positive UNC modification decisions pending a Licence change process.

We would like to take this chance to thank our stakeholders who have worked tirelessly with us to turn around complex projects in short timescales, in order to benefit GB PLC this coming winter and in the long term.

For more details, please contact [Phil Hobbins](#).

## Gas Charging Arrangements

### Publication of October 2023 Transmission Charges

The Transmission Services Entry and Exit Capacity Reference Prices for the Gas Year starting 1st October 2023 were published on 31st May.

Capacity Reserve Prices	October 2022	October 2023
Entry Firm	0.0851	0.0784
Entry Firm (Storage)	0.0170	0.0157
Exit Firm	0.0218	0.0127
Exit Firm (Storage)	0.0044	0.0025

Of particular note is the drop in the Exit Capacity Reference Price. As we have previously communicated to the Industry through NTSCMF (National Transmission System Charging Methodology Forum, hosted by the Joint Office), the primary driver for this was a substantial overcollection of Exit Capacity Revenues across FY23 due to high demand for exit capacity at Bacton leading to auction premiums being paid. This over-collection in FY23 has resulted in a reduction of revenues to be collected across FY24.

The complete documents are available on the [Transmission System Charges website](#).

### St Fergus: NSMP Terminal Compression

On 2<sup>nd</sup> June 2023 Ofgem published a [consultation document](#) relating to our [Final Preferred Option](#) submission detailing the proposed investment at the St Fergus Terminal to ensure compliance with the Medium Combustion Plant Directive.

Ofgem made no significant statement in relation to their previous request to explore the potential for targeting of charges, only mentioning that this had previously been consulted on and could be explored further using the NTSCMF as the forum for doing so.

For those who wish to respond, the consultation end date is 28<sup>th</sup> July 2023. We do not expect to revisit the topic until publication of Ofgem's report following the latest consultation.

### Introducing additional flexibility to change the NTS large price step for Ascending Clock Auctions at IPs

In September 2022 NGT raised UNC Modification [0832S](#) (Introducing additional flexibility to change the NTS large price step for Ascending Clock Auctions at IPs), with the purpose of improving Ascending Clock Auctions for IP Capacity by providing additional flexibility to change the percentage of the Reserve Price used to determine the NTS large price step when it is deemed

appropriate to do so. UNC Panel approved this Modification and the change was implemented with effect from 6<sup>th</sup> April 2023.

### **Gas Charging Discussion Document 13**

Existing Contracts are Long Term Entry Capacity which was allocated before the introduction of the EU Tariff Network Code (TAR NC) on 6<sup>th</sup> April 2017. At the simplest level, they retain the price applicable at the time of booking, offering protection from the prevailing capacity rates and an exemption from any Transmission Services Entry (Capacity based) Revenue Recovery charges. However, these protected prices have an upward influence on the prevailing capacity rates applicable to all New Capacity.

UNC Modification [0790](#) was proposed as a means to address these price impacts by introducing a new commodity charge, levied on Entry flows. Ofgem decided not to implement UNC modification 0790 but stated in its decision letter that it “expected industry to bring forward a new modification proposal to address existing contracts as soon as possible, in line with the legal analysis set out in this decision.”

Following informal discussions on the topic at [NTSCMF](#), GCD13 is the first formal step towards further exploring the issues, with the potential for a new Modification to be raised following completion of the discussions if it is deemed necessary.

The [document](#) was published in May 2023 with an eight-week consultation period to give the wider Industry an opportunity to comment on the potential solutions presented. That consultation ended on 23<sup>rd</sup> June 2023, we are now in the process of reviewing your responses and will begin assessing the next steps based on your feedback.

### **Non-Transmission Services Charges**

Non-Transmission Services Charges will be published at the end of July. We will hold a webinar before the publication of these charges, predominantly to discuss the General non-Transmission Services Charge and impacts for October 2023 charges and thinking for development into future years. Please look out for communications of how to join. Alternatively, please contact Colin Williams to secure your place.

### **Introduction of a Minimum General Non-Transmission Services Charge Modification**

We have recently raised UNC Modification [0847](#) in NTSCMF to discuss the introduction of a minimum General Non-Transmission Services Charge. Due to the way in which General Non-Transmission Services Charges are calculated, there exists, under certain circumstances, the possibility that the current methodology could produce a negative charge. This proposal will introduce a minimum General Non-Transmission Services Charge of 0.0001p/kWh.

A wider strategy regarding some of the broader impacts on Non-Transmission Charges will be discussed in NTSCFM in the coming months including the use of the upcoming webinar.

### **Industry Stakeholder Engagement**

NGT will continue to engage industry stakeholders using the NTSCMF, NGT led webinars (where required), relevant publications and material on our website to share charging related updates and provide the opportunity to discuss outputs.

For more details, please contact [Colin Williams](#).

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## Capacity Methodology Statement Review

In February 2023 we [re-consulted](#) on our Entry Capacity Release Methodology proposal to more closely align the quantity of entry capacity made available at the Milford Haven ASEP with the timeframes of likely Gassco outages impacting Easington supply. On 20<sup>th</sup> April Ofgem decided to reject the proposal (see the decision letter [here](#)). This means that we have been continuously releasing full baseline capacity at Milford Haven, with no network constraints to report on to date.

We have also consulted on our Entry and Exit Substitution Methodologies and Entry Capacity Trade and Transfer Methodology, which have all been approved. The latest versions of all of our methodology statements can be found on our [website](#).

For more details, please contact [the team](#).

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## Gas Market Plan (GMAP) Updates

### Hydrogen Blending

Expectations are that The Department of Energy will be making a decision in principle on hydrogen blending into the Distribution Networks this year, with a decision for Transmission likely to follow.

The ENA, Gas Goes Green Workgroup have therefore submitted UNC Review Group [0849R](#) which will take place from June 2023 through to November 2023. The purpose of this Review Group is to explore the current legislative hierarchy and its compatibility with a hydrogen blended gas. Industry participants will then discuss the relevant changes required in order to implement hydrogen blending with the objective of developing a suitable enabling modification by the end of this year.

For more information on UNC 0849R, please contact [Megan Bray](#)

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## Policy Updates

### UK Policy Update

#### Energy Security Plan

The main policy development this year has been the March publication of the [Energy Security Plan](#) by the Department for Energy Security which outlines the steps to achieve the goals of the [British Energy Security Strategy](#) and the [Net Zero Strategy](#). It aims to ensure that the UK achieves greater energy independence, security, and resilience. The plan emphasises that energy security and net zero are interconnected. It recognises that energy security entails increased energy efficiency and a shift away from imported fossil fuels to abundant, low-carbon energy sources.

#### Net Zero Growth Plan

Released alongside the [Net Zero Growth Plan](#) under the Powering Up Britain initiative, the Energy Security Plan sets the stage for a sustainable energy future. Key commitments for low-carbon energy include doubling hydrogen production capacity to 10 GW, with at least 50% from electrolytic projects. Under the plan's critical enablers, key actions include expediting transmission network projects, accelerating electricity network connections, streamlining planning processes, and improving consumer protection in energy markets.

### Key policy items to look out for 2023-2025

1. **Planning:** Revised energy National Policy Statements will be published following the May consultation, emphasising the need for new energy infrastructure, and expediting planning processes.
2. **Markets:** Consultation in summer 2023 on options for enhanced consumer protection in energy markets, effective from April 2024, and a review of the future of the price cap on default tariffs.
3. **Rebalancing:** Commitment to outlining a clear approach to gas vs. electricity 'rebalancing' by the end of 2023/2024, with significant progress expected to impact relative prices by the end of 2024.
4. **Gas:** An update by autumn on the role of gas storage and other flexible sources in ensuring gas security.
5. **Resilience:** The Future System Operator will conduct a gas supply security assessment and take on a coordination role to enhance the security and resilience of energy systems.
6. **Hydrogen:** Announcement of shortlisted projects for the first electrolytic hydrogen production allocation round, with plans for due diligence and the launch of a second allocation round in Q4 2023.
7. **Hydrogen T&S Business Models:** Legislative powers introduced through the Energy Bill to facilitate the design of crucial transport and storage (T&S) infrastructure business models by 2025.
8. **Hydrogen Blending:** Detailed information on hydrogen blending, including its strategic role and benefits, will be provided in response to the consultation on hydrogen transport and storage infrastructure, scheduled for Q2 2023.
9. **Strategy and Policy Statement (SPS) Public Consultation:** A consultation is live, closing in August inviting input on the government's strategic energy policy priorities.

For more details, please contact [Ned Abbs-Brown](#)

### EU Update

One more year before the next European Parliament elections. From the 6<sup>th</sup> to 9<sup>th</sup> June 2024, 400 million EU citizens will be called to choose their representatives in the European Parliament. However, for the current parliamentarians, a lot of work remains to finalise key policies. First, the Package of measures adapting the EU regulatory framework to the 2030 climate objectives – the so-called '[Fit-for-55](#)' – is reaching the last miles of its legislative journey. While 90% of the proposed measures have been adopted, a formal endorsement of the Renewable Energy Directive III is still needed, stuck into [divergent views](#) on the sustainability of nuclear. Moreover, an important work is still required to revise the Energy Tax Directive. Additionally, the Council

and the European Parliament are currently amending the proposals made by the Commission early this year to [revise the Electricity Market Design](#) as well as supporting EU manufacturers with the [Net-Zero Industry Act](#).

The [Gas Package](#), reviewing existing rules for natural gas and creating a new framework for hydrogen, is currently at Trialogue stage. In other words, the Commission, Council and Parliament will seat together over the coming months to reach an agreement on the final version of the revised Directive and Regulation. For a full briefing on the remaining hot topic, do not hesitate to contact the Market Strategy Team.

On top of keeping a close eye on EU Policy, National Gas continues its engagement with European Stakeholders. In March, the Market Team attended the Eurogas Annual Conference as well as a Eurelectic event on the electricity market design. Together with Alison Tann, we've discussed in April a [potential revision](#) of the CAM NC with Gas Network Ireland. In May, Craig Neilson presented the UK TOTEX system to European stakeholders during a meeting of the ENTSOG's Market Working Group. Finally, the [North Sea Summit](#), which took place in Ostend last April, has opened new opportunities for further cooperation between National Gas and its European counterparts.

For more details, please contact [Ronan Hass](#)

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## Gas Quality Update

### NTS Specification for Mercury

We are currently reviewing the NTS specification for Mercury Limit as set out in the Gas Ten Year Statement (GTYS).

Mercury is not explicitly stated in GS(M)R but is covered indirectly in that the gas we transport "shall not contain solid or liquid material which may interfere with the integrity or operation of pipes or any gas appliance." The limit is currently 10 µg/m<sup>3</sup>.

Following enquiries from an upstream operator regarding the levels of mercury allowed on the NTS, a short survey was carried out with industry where we enquired if increasing the mercury content in natural gas presents any risks to customers' operations downstream of the NTS and if so, at what concertation. The survey results indicated a mixed response, confusion around the current limit and concerns around safety and equipment at the current level.

One-off sampling was undertaken at 23 points over six key locations on the NTS; all the sampling came back at <0.1 µg/m<sup>3</sup>. We recently issued a second survey to Industry to determine further views on the limit, specifically around effects on customers operations if the limit were to reduce. The survey closed on 22<sup>nd</sup> June, and we are currently reviewing responses. Thank you to all who participated and shared views.

Please note that no decision regarding the limit has been made, and any updates will be provided at both Operational Forum and Transmission Workgroup.

For more details, please contact [Kirsty Appleby](#).

## Gas Quality Data Provision

We are currently collaborating with Distribution Networks on the feasibility of using their measured data to provide gas quality data to NTS connected Exit customers. This information will help us to develop options to enable enhanced Data Quality Provision.

If you would like to share your views or would like more details, please contact [Ofordi Nabokei](#)

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## Contact Us

We would love to hear from you! You can contact us by e-mailing:

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