

nationalgrid

Gas Markets Newsletter

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A message from Chris Logue - Head of Markets

Welcome to our Gas Markets Newsletter.

In my introduction to our previous newsletter in July, I touched on the market challenges we face as Russia's war on Ukraine continues. Europe is preparing for a winter with very limited supplies from Russia and is taking actions to secure other sources of gas and reduce demand. In preparation for winter, we have continued to work with our colleagues in ENTSOG and our neighbouring TSOs throughout the summer months to ensure we have a shared understanding and to help to facilitate flows to the continent in order to support Europe in filling it's storages.

Although the risks of supply shortages in GB remain low, with unprecedented conditions facing the gas market, we have supported the development of measures to mitigate the impacts of supply shortages over the winter should they occur such as expanding the Gas DSR scheme and facilitating the recommencement of storage operations at the Rough Storage facility. You can read more about these below.

I am extremely proud of the work that my team has done, and is continuing to do, to support the situation, and we will continue to work with our customers and stakeholders to overcome any future market challenges that may materialise, whilst keeping you informed about what we are doing.

Thank you for your continued support,

[Chris Logue](#)



Gas Quality Update

GS(M)R Review

The review of the gas quality specification within the GS(M)R (Gas Safety Management Regulations) is ongoing, with HSE considering responses to their [consultation](#) on proposals to change the regulations, and we expect the Government response to be published later this year. Among the proposals is a reduction in the lower limit for Wobbe Index and we have engaged with NTS entry and storage operators to determine the demand for making use of this change if it is implemented. We gathered views on the likely volumes of lower Wobbe gas that might materialise to inform a view about the extent of network penetration and hence which consumers that are sensitive to variation in gas quality might be impacted. This [analysis](#) was presented at Transmission Workgroup on 01 September 2022. If HSE decide to proceed with this proposal, we would expect to raise a UNC Modification to enable changes at the relevant terminals and set out suitable transparency arrangements.

Gas Quality Data Provision

Earlier this year we launched a piece of work looking into the provision of additional gas quality data. This work aims to address concerns with proposed gas quality changes through enhanced information provision as well as exploring benefits of additional gas quality data provision, irrespective of the potential changes to the GS(M)R. We recently published a survey to customers connected directly to the NTS to understand what information would be useful and how it would be of benefit. The results of this survey will now be used to inform the development of options.

For any queries in relation to gas quality matters generally, please contact [Phil Hobbins](#) and in relation to the data provision project, please contact [Ash Adams](#).

Emergency Arrangements

Payments for Involuntary Curtailment in an Emergency ('Firm Load Shedding')

SSE's [Proposal](#) to revise the method for determination of the payments made to consumers who are subject to gas supply curtailment during a Gas Emergency is now with Ofgem awaiting a decision. The Proposal seeks to revise the method for determination of the payments to be equal to the gas price on the day prior to curtailment as opposed to, under current arrangements, the average gas price over the 30 days preceding the curtailment.

Four representations were submitted to the formal consultation, three of which supported implementation and one of which was opposed. However, the Modification Panel voted to not recommend implementation (only one of fourteen voting members recommended implementation). We maintain our reservations about the proposal, believing that the current arrangements provide a strong incentive for connected loads to help avoid an emergency by reducing demand voluntarily, rather than being ordered off as an emergency measure.

Supporting Security of Supply

Gas Demand Side Response (DSR)

Over the past few months, we have been working to develop enhancements to the regime for gas Demand Side Response (DSR). We received a wealth of feedback from engagement with customers and stakeholders in the summer, in particular that financial incentives for participation in the scheme were insufficient and that some consumers were unable to respond with voluntary curtailment at times of system stress within a gas day. We therefore developed proposals to amend UNC and our [DSR methodology](#) to enable us to issue a tender to shippers seeking offers to commit to provide DSR, should it be required, in return for an option payment. The changes also expand the circumstances under which we can accept DSR offers posted on the OCM from a Gas Balancing Notification to also include issue of a Margins Notice at the day ahead stage. Further details about this proposal (UNC0822) can be found [here](#). In order to realise the benefits for this winter, this proposal was progressed on an urgent basis which meant that not all points of feedback received could be included, however, we shall continue to consider how consumers' access to DSR may be broadened to further contribute towards the effectiveness of the DSR tool, consistent with Ofgem's expectations stated in its UNC0822 decision letter.

Rough Storage

The Markets team worked with other National Grid Gas colleagues to facilitate the recommencement of storage operations at the Rough Storage facility which had ceased storage activities in 2017. Gas withdrawn from Rough Storage was previously delivered at the Easington Aggregate System Entry Point ('ASEP'), but due to changes to the Transportation charging arrangements introduced in 2020, such volumes will now be delivered at a commercially separate ASEP, hence a separate Rough Storage ASEP was established to support recommencement of storage operations.

Following the implementation of an [Urgent Modification to the UNC](#), the shipper, Centrica Storage Ltd ('CSL') will, up to the end of March 2023, be able to utilise Entry Capacity at the Easington ASEP procured pre-April 2017 (known as 'Existing Contracts') at the new Rough Storage ASEP whilst retaining the original procurement price. Whilst the availability of this mechanism is limited to CSL, it is worth noting that Ofgem has approved CSL's application for an exemption from negotiated third party access in respect of the Rough Storage Facility until 30th June 2024.

Gas Charging Arrangements

October 2022 Charges

In May 2022 National Grid Gas produced the [Transmission Services final reserve prices](#) for 01 October 2022 and indicative charges for the following four Gas Years.

Following publication, National Grid Gas held a webinar on 29 June 2022 to talk through the calculation of the Transmission Services reserve prices, in which we highlighted where and why the Forecasted Contracted Capacity (FCC) was amended by exception, in line with the reviewed [FCC Methodology](#), details of which we have shared in previous newsletters. The [presentation material](#) and [recording](#) of the webinar are available to view on the National Grid Gas website.

In July 2022 National Grid Gas published General Non-Transmission Services Charges which came into effect on 01 October 2022. We held a webinar on 28th July in which we provided an update on non-transmission charges including the key drivers for change, the challenges faced and next steps. The [presentation material](#) and [recording](#) of the webinar are available to view on the National Grid Gas website.

St Fergus: NSMP Terminal Compression

Following on from our initial consultation and the follow up discussions held at NTS Charging Methodology Forum (NTSCMF), a preferred option consultation process began in September 2022 which included questions relating to charging as well as some indicative numbers providing the potential range of the impact to users and whether costs are to be socialised or targeted.

Results from that consultation are now being reviewed, our summary and any non-confidential responses will be published on the [St Fergus pages](#) of the National Grid Gas website once available.

Your feedback will also help to shape our Final Option Selection Report due to be produced early in 2023. Ofgem will review that FOSR submission and may issue a further consultation prior to announcing its decision on our proposed option selection.

We expect to return to NTSCMF, initially to feedback anything relevant in the consultation responses, with further discussions on the potential for targeted costs to commence in 2023 based on consultation feedback received and any guidance received from Ofgem.

Clarification on how many decimal places the Conditional NTS Capacity Charge Discount is calculated to

In September 2022 National Grid Gas raised [UNC Modification 0820FT](#) (Clarification on how many decimal places the Conditional NTS Capacity Charge Discount is calculated to), this was approved by Panel and implemented on 10 October 2022.

Industry Stakeholder Engagement

National Grid Gas will continue to engage industry stakeholders using the [NTSCME](#), National Grid Gas led webinars, 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](#).

Gas Market Plan (GMAP) Update

In the last edition of this newsletter, we shared our focus areas for 2022/23. These include three vertical themes of potential market change, including: hydrogen, hydrogen blending and natural gas, as well as several horizontal themes which cut across each stage of the transition: heat, power, industry and transport. We also had 'fair and just transition' as one of our horizontal themes, and while a hugely important area, we have shifted our focus to security of supply instead for 2022/23. Please read on for an update on projects relating to both our vertical and horizontal themes.

Hydrogen (full/ 100%): Hydrogen continues to be an important GMAP focus area, as hydrogen is expected to play a significant role in decarbonising UK heat, industry, power generation and transport. The work going on in this space includes:

- Commercial framework exploration for [Project Union](#): We are working with industry to explore how the development of Project Union could impact existing gas sector market design and commercial arrangements. After considering the key challenges, we are now entering the final stages of this project through refining potential solution options.

Hydrogen Blending: Hydrogen blending is gaining increasing momentum, particularly as it could play an intermedial step in total gas system decarbonisation. The Hydrogen Blending GMaP projects we are progressing are:

- [Hydrogen deblending feasibility study \(phase 2\) markets workstream](#). This NIA (Network Innovation Allowance) project has completed, and the final report is available. This project involved working with industry to explore how existing market frameworks may need to evolve to accommodate de-blending technology on the UK's gas networks, this technology could provide a physical solution to support hydrogen blending.
- Review of the current Gas Market framework to understand the necessary changes required to enable blending onto the NTS, particularly focussing on the most impacted market principles Connections, Capacity, Charging and System Operation.
- From a markets perspective we are also feeding in to the [ENA Gas Goes Green Blending project](#) which is looking at facilitating a 20% H2 blend into gas networks. In particular we are working with the gas distribution networks to understand how capacity could be allocated and managed; and also the overarching Regulatory framework.

Heat: There remains an active debate over how to decarbonise domestic heating. The project we are progressing in this space will add to the conversation around the regionalisation of heat and the suitability of low carbon heating technologies in buildings:

- Our Regional Differences in Heat project aims to understand which regions across England and Wales might be best suited to hydrogen for domestic heating based on the regional prevalence of housing stock, and where these regions are in relation to where we expect the first hydrogen production and transmission infrastructure to be. We have begun to map this out to provide a picture of which areas might be best suited to hydrogen heating. We will be analysing these maps for trends and hope to share the analysis on [our website](#) in due course.

Security of Supply in a H2 transition: In today's world, there is a clear framework for managing supply-demand imbalances on the natural gas network which ultimately prevent a Network Gas Supply Emergency (NGSE) from occurring. It is crucial that we can maintain this high level of

security supply in a hydrogen world and have the right market tools and mechanisms in place to do so.

- Pre-emergency market tools in a hydrogen transition: National Grid Gas is responsible for the strategy to avoid a loss of pressure on the GB gas network, which could ultimately lead to a NGSE. In pre-emergency times, we utilise several market tools to help prevent a NGSE from occurring. In this project, we will work with internal subject matter experts to understand whether the existing pre-emergency market tools will need to be adapted, or new market tools developed, for both hydrogen blending and a full/100% hydrogen network.

Projects relating to **power, industry** and **transport** will be scoped out in the coming months and will likely be a focus for the new year.

If you would like to know more about the Gas Markets Plan, please visit our website [here](#), or contact [Jen Randall](#).

BBL Enhanced Pressure Service & Increase to Maximum Exit Offtake Rate

In July 2022 National Grid Gas raised an [Urgent Modification \(UNC 0814\)](#) which would allow BBL's Interconnector Agreement (IA) to be updated and permit them to increase their Maximum NTS Exit Point Offtake Rate (MNEPOR) from ~7.7 GWh/h to 10.5 GWh/h and grant them access to the Enhanced Pressure Service on a temporary basis until the end of September 2023. The Enhanced Pressure Service would allow BBL to request network export pressures at Bacton Interconnector between 55 – 68 bar which would increase their export capability. The aim of the modification was to support Continental Europe with increased volumes of gas to contribute towards the filling of European Storage Facilities in the lead up to the Winter, which in turn would reduce the likelihood of increased and sustained export flows during the Winter when UK Demand is typically larger. Therefore, enhancing Great Britain's Security of Supply.

In August the UNC Panel members voted in favour of implementation and the modification was passed to Ofgem for the final determination. National Grid Gas have been supporting Ofgem with their decision making process through several engagements and providing additional data. UNC 0814 is still under consideration, and we hope a decision will be reached soon.

For more details, please contact [Matthew Newman](#).

We would love to hear from you and you may contact us by e-mailing:

box.gsoconsultations@nationalgrid.com

You are receiving this newsletter because our records indicate that you are part of the National Grid Gas Stakeholder Community. If you no longer wish to receive similar e-mails regarding future gas market changes, please contact [Ash Adams](#).