national gas transmission

# Market Change Newsletter

**Issue 20**
January 2025

## Welcome

Welcome to the latest edition of our Newsletter!

In this issue:

## A Message from Liz Ferry – Head of Markets

Welcome to our January Market Change newsletter, and a very Happy New year to you all.

We expect 2025 to be a significant year for change across methane, hydrogen and CCUS and we continue to progress a number of key business initiatives to underpin these market changes, some of which outlined within our newsletter. Progressing the energy system of the future, enabling clean power and ensuring security of supply remain critical activities for National Gas but importantly, alongside this, operating and maintaining the National Transmission System (NTS) of today is vital. We've just published our RIIO-T3 business plan outlining our commitments to ensuring the NTS remains resilient, efficient and fit for the future which can be found here.

Once again, thank you for your continued engagement, feedback and support. Market change initiatives cover such a broad range of complex, and intertwined topics that industry collaboration is essential for their success. Please do get in touch if you have any feedback on the content of this newsletter, or the initiatives mentioned.

Liz Ferry

## Gas Charging Updates

### Transmission Services Charging

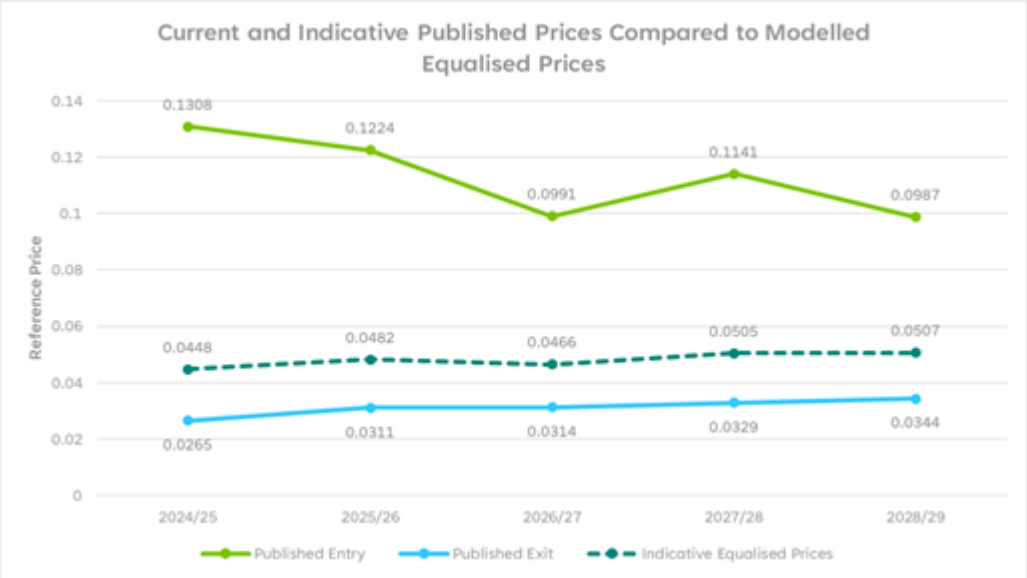
#### UNC Modification 0903 raised

Transmission Services and Entry/ Exit pricing is a topic that has been extensively discussed at NTS Charging Methodology Forum (NTSCMF). We have begun to explore the impacts and benefits of amending the Entry/ Exit split from the current arrangements, where 50% of revenues are levied to Entry and 50% levied on Exit Customers. We have presented analysis showing the revenue and price implications of

making a change under a range of different scenarios, facilitated discussions around relevant objectives and received views on rationale for potential change. This has all enabled the gathering of industry views on the potential impacts and benefits of making a change to help all Stakeholders consider the merits of a change in this area of the charging methodology.

In response, National Gas Transmission have raised UNC Modification 0903, which was discussed as a pre-modification at December's NTSCMF. This modification proposes to introduce a single NTS capacity reference price.

The comparatively lower aggregate quantity of Entry Capacity procured by Users means that Entry Capacity charge rates are far higher than Exit Charges and are also subject to higher levels of volatility. This situation could be considered sub-optimal in that Entry prices remain high comparative to Exit and are likely to remain so. National Gas Transmission believe a change to the Charging Methodology would represent an improvement when compared to the existing regime.




To follow UNC0903's progress in workgroup development, to monitor for updates and to get involved in the industry discussions on the potential impacts please follow at the UNC0903 main page on the Joint Office website and through the NTSCMF monthly meetings. For more information, or to share your views, please contact Colin Williams.

## Industry Stakeholder Engagement

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

The next industry webinar will be on the topic of Capacity Neutrality. Details on how to sign up will be shared via the Joint Office soon.

For more details, please contact Colin Williams.

## Gas Capacity Updates

### Capacity Methodologies Review

In our last newsletter we highlighted that the 5 capacity methodology statements that we are obligated to publish under the Gas Transporter Licence are due to be reviewed by April 2025:

- ECR- Entry Capacity Release
- ExCR- Exit Capacity Release
- ECS – Entry Capacity Substitution
- ExCS- Exit Capacity Substitution and revision
- ECTT – Entry Capacity Trade & Transfer

An informal consultation was carried out followed by a formal consultation which closed on 13th December. We received no responses. No further changes to the statements were made and these were submitted to Ofgem for a decision on 27th December which a decision expected by 21st February 2025. A consultation conclusion report is now published on our webpage.

Capacity methodology statements | National Gas

For further information or to provide any feedback on this subject please contact Nicola Lond.

### 0901R – Review of arrangements for reservation of NTS Capacity

Since our last newsletter National Gas has raised a review request which was approved by UNC modification panel to progress to workgroup in November 2024.

UNC 0901R

The first iteration was held at Transmission workgroup on 9th January to discuss the scope and problem to be addressed by them.

National Gas are seeking to hear about any experience in relating to the reservation of capacity on the NTS which may be relevant to feed into this review.

For further information or to provide any feedback on this subject please contact Nicola Lond.

## Future Frameworks Updates

### Blending Implementation Programme

In October 2024, the second phase of the Blending Implementation Programme commenced, in partnership with the distribution networks, looking at market frameworks to support hydrogen blending throughout the network. This includes understanding how we might connect hydrogen producers to the network, how capacity might be allocated, how hydrogen might be trades, and how charging might be arranged.

To inform this process, the program has outlined strategic outcomes and established a set of design principles to guide development of the final model. These are as follows:

Strategic outcomes

Primary outcomes

- Uphold the safety and security of supply of the gas network
- Support the growth of GB hydrogen capacity and maximise wider system benefits
- Limit costs and disruption to users of the gas network in enabling connection and transportation of hydrogen blended gas
- Fair and transparent processes for connecting hydrogen production to the gas network

Secondary outcomes

- Decarbonisation of GB gas demand
- Support networks' capability and infrastructure for delivery of 100% H2 networks

Design principles

- Utilise existing gas market arrangements where possible
- Deliver market frameworks that are predictable and enduring, within the limits of existing primary legislation
- Optimise total GB blending capacity, whilst enabling the investability of the model for hydrogen producers
- Connections and capacity allocation process that avoids undue discrimination, whilst enabling efficient and economical operation of the networks

- Transparent processes for all gas transporters with consistency across GDNs

These principles aim to prioritise efficiency, stability, and fairness; maximizing the use of existing market arrangements, ensuring predictable and long-lasting frameworks, allowing for open access to the network while managing constraints and maintaining transparency and consistency across all gas networks where possible.

The programme of work has proceeded to the design phase and will be consulting internally to gather our preferred position on each of the market areas. Additionally, the UNC review group, 0849R, has resumed to support the workstream, providing feedback and stakeholder insight to help develop the framework. As we work through the design phase of the programme we will be consulting with the Gas Quality work group for further insight on this specific element of the framework, whilst seeking feedback from DESNZ, Ofgem and NESO.

Phase 2A of this programme is expected to conclude in October 2025 with Phase 2B, which will involve the formal UNC and Licence change process and will require a UNC Modification, commencing thereafter. For further information please contact Danielle Fleet.

### Transmission Blending – DESNZ announcement

National Gas welcomed DESNZ's Hydrogen Strategy Update to the Market: December 2024 in which they provided an update on their plans for Transmission Blending. DESNZ confirmed that "following analysis and stakeholder engagement, we intend to consult on transmission-level blending within GB in early 2025, with the aim of making a strategic policy decision on whether or not to support transmission-level blending in 2025".

We look forward to working closely with DESNZ, Ofgem and our other stakeholders to support the transition to low carbon gasses and securing Britain's energy.

## Security of Supply Update

### Review of EU Capacity Allocation Mechanism (CAM) Network Code UNC0902R

The Capacity Allocation Mechanism Network Code (CAM Code) is an EU Regulation that EU TSOs were legally required to implement as part of the EU 'Third Package' in 2015. Its primary purpose was to create harmonised methods for EU TSOs to offer, and for shippers to book, transmission capacity at Interconnection Points (IPs).

At Brexit, the versions of the EU Network Codes (CAM, Balancing, Interoperability, Tariffs) and the Security of Supply Regulation in existence at the time were transposed into UK legislation and accompanied by new Statutory Instruments which qualified certain articles to make them work in a post-Brexit context. Therefore, all these Network Codes (as amended) still legally apply to the GB regime today and have been implemented into the UNC (via the creation of the UNC European Interconnection Document) and into contractual arrangements with NGT's adjacent TSOs GNI(UK), Premier Transmission Limited, BBL and Interconnector.

The EU Association for the Cooperation of Energy Regulators (ACER) has proposed amendments to the CAM NC in its consultation that closed on 25 October 2024. ACER is expected to finalise its proposals by the end of 2024, following which there will be a process led by the European Commission which will culminate in the 'comitology' process with EU national ministries to finalise the amendments and establish a timeframe for implementation. Post-Brexit, GB is no longer obliged to implement EU Regulations or any changes thereto, which include the EU Network Codes. However, GB remains physically and commercially interconnected to three EU member states and to NI, therefore, when EU gas market change is proposed, it is appropriate to consider the benefits and risks of both maintaining alignment as well as divergence. We have therefore raised UNC Request 0902R to discuss this with the industry.

For further information please contact Phil Hobbins.

## Gas Demand Side Response (DSR)

This year, we ran our third tender to pre-contract DSR volumes from industrial consumers / shippers ahead of winter. We procured a low aggregate volume (0.4 mcm) relative to likely system demand on a day where it might be called upon at a high average option price (0.47p/kWh/day) compared to other balancing tools. We are currently considering the longer-term viability of industrial DSR in light of the extensive reforms we have made in this area of the commercial regime in recent years. We have no plans to progress a non-daily metered DSR product at this time."

For further information please contact Phil Hobbins.

## Gas Quality

Due to the number of gas quality related UNC modifications that have been raised in recent times and increasing interest from many stakeholders in this area, a new UNC workgroup dedicated to gas quality issues will begin work on the new year, chaired by the Joint Office.

Further information may be viewed here.

## GS(M)R

The Interconnection Agreements NGT has with Bacton interconnector operators specify a lower Wobbe limit for NTS entry and NTS exit. This specification aligns with the corresponding specification at the continental end of these pipelines and ensures our ability to export gas. UNC modification 0870 Amendments to Wobbe Index and Calorific Value Lower Limits at NTS System Entry Points, is at the time of writing this, under consultation.

In parallel, we have continued to work with the Bacton interconnector operators and our fellow EU TSOs to ensure that the changes brought by the implementation of the amended Gas Safety (Management) Regulations in 2023 to the lower Wobbe limit does not impact our ability to export gas to the continent; or their ability to receive the gas and transport it onwards within Europe. On 6 November, the Dutch Minister for Climate and Green Growth approved a change to reduce the lower Wobbe limit from 47.2 MJ/m3 to 46.8 MJ/m3 for several interconnection points between EU NW TSOs. This means that the Bacton interconnector operators are now able to agree to a reduced lower Wobbe limit value in their Interconnection agreement and NGT will be able to export gas with a wider Wobbe range, which helps to ensure mutual Security of Supply. This change will come into force on 1 January 2025.

For more details, please contact Ofordi Nabokei-Hazekamp.

## Oxygen/Biomethane

Work continues on National Gas Transmission's class exemption evidence case to the HSE to permit NGT to offer up to 1mol% oxygen on the NTS. If granted, the class exemption will also allow the Distribution Networks to offer up to 1mol% on the higher-pressure tiers of their networks (currently, they are able to offer 1mol% but are restricted to pressures of 38 barg).

The Network Innovation Allowance study to address the impacts of an elevated level on oxygen on the NTS has been completed and is available on the ENA Portal. This study will be used to form part of our evidence case.

Work also continues on the methodology we intend to use to assess applications for elevated oxygen content and whether this could reach an offtake that is sensitive to oxygen. This was raised at December's Transmission workgroup and the slides used as the basis of discussions can be found here.

For more information, please contact Ofordi Nabokei-Hazekamp.

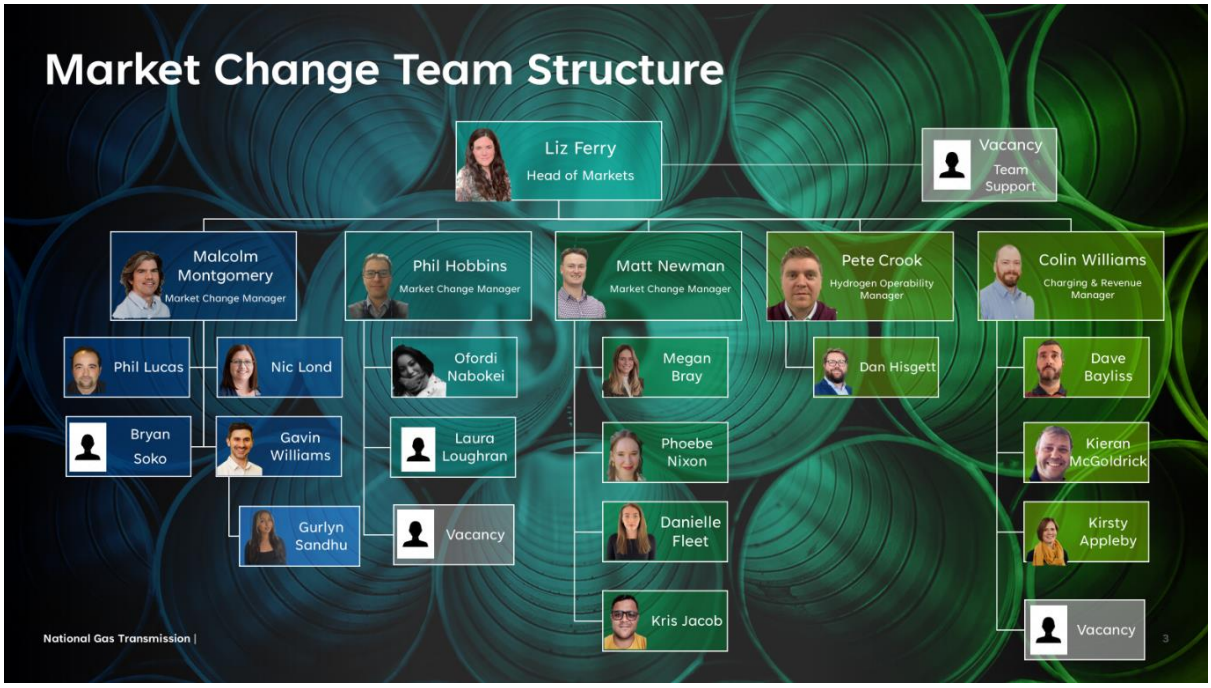
## New Team Members

### Welcome Laura Loughran!

Laura joined the Market Change team in January as an Analyst. Laura is new to the world of energy, having previously held operational management roles within the Retail and Automotive sectors. She brings a keen mind for problem solving and strategic communication, as well as experience working in both large-scale organisations and small start-up businesses. Laura is eager to learn about the gas market and to apply her skills and experience to the Market Change team, where her focus will be on projects involving gas quality and EU relationships.

### Welcome Bryan Soko!

Bryan joined the Code change team in January as a change analyst. He previously worked as a Change Manager with a proven track record of delivering impactful solutions in the logistics sector through strategic deployment planning and execution. Known for innovation, reliability, and a relentless commitment to excellence, he brings a proactive approach to overcoming challenges and ensuring stakeholder satisfaction. Bryan is eager to leverage his expertise in deployment and process optimisation to add measurable value in the energy space. He is excited about the opportunity to engage with stakeholders and support the transition to a more sustainable energy future.


Market Change Team Structure
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Team Support
Malcolm Montgomery
Market Change Manager
Phil Hobbins
Market Change Manager
Matt Newman
Market Change Manager
Pete Crook
Hydrogen Operability Manager
Colin Williams
Charging & Revenue Manager
Phil Lucas
Nic Lond
Ofordi Nabokei
Megan Bray
Dan Hisgett
Dave Bayliss
Bryan Soko
Gavin Williams
Laura Loughran
Phoebe Nixon
Kieran McGoldrick
Gurlyn Sandhu
Vacancy
Danielle Fleet
Kirsty Appleby
Kris Jacob
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