

Energy Market Issues for Biomethane (EMIB) Workgroup Minutes

Friday 11 May 2012

at ENA, Dean Bradley House, 52 Horseferry Road. London SW1P 2AF

Attendees

Tim Davis (Chair)	(TD)	Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MB)	Joint Office of Gas Transporters
Andrew Moore	(AM)	Northumbrian Water
Dave Lander	(DL)	Dave Lander Consulting
David Pickering	(DP)	National Grid
John Baldwin	(JB)	REA
Lesley Ferrando	(LF)	Ofgem
Matthew Hindle	(MH)	ADBA
Peter Hardy	(PH)	IGEM
Richard Fairholme*	(RF)	E.ON Energy
Richard Lewis	(RL)	ARUP
Richard Pomeroy	(RP)	Wales & West Utilities
Richard Street	(RS)	Corona Energy
Steve Rowe	(SR)	Ofgem
Steve Sherwood	(SS)	Scotia Gas Networks
Stuart Gibbons	(SG)	National Grid Distribution

* via teleconference link

1. Introduction

Copies of all papers are available at: www.gasgovernance.co.uk/emib/110512

TD welcomed all to the meeting.

2. Minutes of the Previous Meeting

2.1 Approval of Minutes

The minutes of the previous meeting (30/03/12) were approved.

2.2 Review of Actions

Action EMIB 10/01: National Grid (DP) to seek DECC view on biogas producer exemption from any need to hold a GT Licence.

Update: It was confirmed that DECC is pursuing a class exemption. **Closed**

Action EMIB 11/02: Ofgem (SR/LF) to seek a view on whether DN capacity costs could be addressed via a logging up process.

Update: Acknowledging that the action had been closed at the 30/03/12 meeting, RP felt that some form of a written view from the Authority around this item would be beneficial. LF advised that any Ofgem view would be part of the response to the EMIB. **Closed**

Action EMIB 01/04: Dave Lander Consulting (DL) to consider whether different standards should apply when commingling is adopted rather than propanation.

Update: DL advised that this has been covered in the supporting papers. The proposed approach was discussed at the Expert Group meeting with no issues raised. **Closed**

Action EMIB 03/01: Ofgem (LF) to discuss with her internal colleagues in the licence drafting review group and confirm the licence drafting timetable.

Update: LF advised that the points raised had been relayed to her colleagues and she is awaiting their response. She expects any issues would be discussed at the next licence drafting review group meeting. **Closed**

3. **Workgroup discussion**

Consideration of Recommendations

TD indicated that he proposed considering odourisation; agreement of the recommendations and next steps; approval of the content of the draft Report; and whether anything has been omitted from the draft Report.

With respect to odourisation, Northern Gas Networks (NGN) hold a different view to the other GDNs and propose adopting different requirements whereby they will retain responsibility for the addition of odourant. It was suggested that NGN should be asked to confirm their final position regarding this matter since it undermines the fundamental objective of establishing a uniform approach. Both JB and AM indicated they would seek to raise the matter with NGN.

Concerns were voiced around the potential financial implications of NGN's stance. In response to the discussion, TD amended the draft report to reflect the position reached.

The Conclusions and Next Steps in the draft report were then considered. TD made on screen amendments in line with the various points raised until a consensus on each point was achieved.

SR enquired if parties were happy with the proposed $\pm 0.5 \text{ MJ/m}^3$ permissible error range for CV determination devices, especially as there was no accompanying supporting evidence provided within the functional specification. JB indicated that he was happy with the proposal whilst TD advised that views had been sought at a number of meetings and no adverse comments had been forthcoming. SR remained concerned about potential impacts on consumers in moving from the current regime. DL advised that there had been no evidence relating to the probability of breaching the FWACV cap – the analysis suggests that there are more important influences than those related to measurement.

RS indicated that he was happy to support the recommendation of the expert group members in this respect. However, whilst he is happy to support a deep connection boundary approach in the short term, he would prefer the report to leave open the possibility for change in the future. For example, a case had not been made to demonstrate why it is not appropriate to mirror the electricity shallow boundary approach.

Debate then focused on why it should be the GDNs who request the Authority approve measurement devices. SR advised that this reflects the Thermal Energy Regulation requirements. DL outlined an alternative of adopting some form of accredited laboratory approach, supported by published specifications. SR pointed out that to adopt a new process would need a regulatory change relating to whom in future maintains and operates the measurement device(s) – with Ofgem being of the view that a 'workaround' process for 3rd party ownership may be feasible in the immediate future. TD noted that the recommendation is written to reflect the existing regime.

Continuing the debate around measuring devices, DL observed that it is not just about the specifications per se, but also their accuracy. Both JB and RP believed that it would be best to retain the current draft report recommendation but recognise that the matter is considered again in future – it was suggested that the GDNs and the Authority should look at adopting a new measuring device

approvals process in due course. SR indicated that whilst the EMIB Workgroup recommendation is to adopt the +/- 0.5MJ/m³ threshold, the issue of governance sits elsewhere and any alternative solutions would require evidential support.

DL then pointed out that you would possibly need a specification covering accuracy and performance and an accompanying process outline. Once you have these you could seek a UCAS approval, after which, you could add elements relating to functionality – the current specification only covers measurement and accuracy. When asked, SR felt that inclusion of a future governance model would prove beneficial – TD and DL would now discuss development and inclusion in the draft report of a suitable governance model.

Moving on to consider GDN connection policies, parties indicated that they were happy with the proposals. RS stressed that, while keen for his longer-term concerns about the proposed deep boundary approach and its associated charges to be noted, he was not proposing changing the recommendations and would like to see the Report progressed as quickly as possible.

In considering network capacity availability, LF suggested referencing 'existing' firm capacity. Parties then indicated that they were happy with the amended text.

In considering Gas quality regulation, parties debated the issue of differing siloxane acceptance levels across the UK. DL observed that there are conflicting views on the figures available whilst the environment agency report relating to this matter is yet to be published – a consensus on a suitable level (i.e. 5mg) was not reached.

RF enquired whether the maximum 2.5% carbon dioxide limit has been reviewed as part of the EMIB process – for example, if adding carbon dioxide is the most efficient means to bring biogas within the Wobbe index range. JB suggested that, unlike Germany's low CV grid, he sees no possibility of adding CO₂ in a GB biogas context. DL added that the 2.5% value is there to mitigate a wider ranging risk, rather than simply relating to a CO₂ risk.

JA informed those present that a DECC Order is being worked on, but asked parties to note that this would not be a biomethane specific regulation as opposed to accommodating a range of possible scenarios. He went on to suggest that should parties desire an early resolution, it would be beneficial for this to be made clear in light of the competing pressures for departmental resources to pursue changes to regulations. JA went on to provide an update on DECC's ongoing issues around the EMIB definitions and 3rd party access aspects for any equipment associated with getting gas into the system – DECC is currently seeking a view on how best to continue to ensure that we retain a competitive market. RS voiced his continued concern around the various commercial aspects, impacts and exemption processes if a wide ranging form of third party access is envisaged.

Moving on to consider data requirements and transmission, both SR and JA felt that the proposed changes were likely to require a primary legislation change if the Thermal Energy Regulations were to be extended to third party owners. Legal arguments aside, TD suggested that we would need the biomethane producers to comply with requirements, and this could be facilitated via appropriate Network Entry Agreement (NEA) provisions. JA suggested that this would be heavily dependent on where it is deemed the actual liability lies, whilst SR felt that a better understanding of any potential impacts would be needed before agreeing a solution. DL warned that GDN lawyers would need to be happy that where 3rd parties meet requirements through NEA provisions, that this would not represent a risk to the GDNs that they remain liable under Regulations and any actions would be against themselves.

DL then raised additional concerns relating to the current 35 day testing obligations and regulatory requirements placed on the Transporters. SR reminded those present that the prime aim of the regulations is to protect consumer rights in line with primary legislation. TD suggested that in short, what we require is for the connectee to measure and report the CV data and that this can be achieved via a NEA provision. SR suggested that any proposed changes to the current 35 day test rule would require the provision of supporting benefit analysis – this remained an unresolved area of contention as some parties see the rule as being disproportionate, with a yearly test being seen as a more suitable window.

TD wondered if there would be value in seeking a legal view with regard to whether or not the Authority would be able to direct the GDNs to obtain CV measurements for sites that potentially sit outside the regulatory framework. It was agreed that GDN and Ofgem lawyers should seek to reach an agreed understanding of how the Regulations are to be interpreted such that their coverage and implications can be fully understood and any proposed changes taken forward in light of a firm foundation regarding the legal framework. DP requested that Ofgem formally respond to the letter sent to them by the Chair on this subject.

Approval of Report

A number of specific points were raised and TD addressed these by making on-line changes to the draft report.

When asked if anything was ‘missing’ from the draft report, RP remarked that the GDNs remain concerned that any potential regulatory changes should not just be biomethane specific.

Next steps

TD agreed to complete all the various outstanding amendments suggested during the meeting and then publish the revised draft EMIB Report (v1.0) for approval, subject to the provision of additional supporting information by various contributors. All parties would then review the draft EMIB Report (v1.0) and provide feedback in due course, with a view to reaching agreement via email rather than a further meeting.

Post meeting note: a revised draft report seeking to address the points made during the meeting, (excluding information relating to the proposed governance process for authorising CV determination devices), was published immediately following the meeting to sit alongside the other materials.

4. AOB

Possible Future (Extended) EMIB Role

RS put forward a suggestion that the EMIB form of process be continued and its scope widened to incorporate consideration of future technological innovations impacting the gas market. He went on to suggest that it would be beneficial to have independent management of such a workgroup, and proposed the Joint Office in this respect - this would help ensure wide industry engagement and participation and give conclusions and recommendations a firm foundation as representing industry views rather than those of one segment. PH pointed out that the IGEM are currently looking at emerging technologies.

The suggestion met with the approval of several parties at the meeting with JB observing that everything discussed to date by the workgroup might be easily scaled-up’ to consider the wider picture.

TD reminded those present that the EMIB group had been established by Ofgem and, if parties wish to see its remit extended, it may be best to approach Ofgem -

who could choose to try and commission the Joint Office once again if they wished to do so. He went on to suggest that, while an Ofgem commission provided some authority, perhaps the ENA/Gas Forum could also be suitable sponsors. JB thought that maybe the ENA could take matters forward with the support of the Joint Office. LF agreed to seek the view of her sustainable energy colleagues on the suggestion.

5. Diary Planning for Workgroup

Details of planned meetings are available at: www.gasgovernance.co.uk/Diary.

No further EMIB meetings are scheduled to take place.

EMIB (Biomethane) Action Log

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EMIB 10/01	31/10/11	3.	Seek DECC view on biogas producer exemption from any need to hold a GT Licence.	National Grid (DP)	Update provided. Closed
EMIB 11/02	22/11/11	3.	Seek a view on whether DN capacity costs could be addressed via a logging up process.	Ofgem (SR/LF)	Update provided. Closed
EMIB 01/04	30/01/12	5.	Consider whether different standards should apply when commingling is adopted rather than propanation.	Dave Lander Consulting (DL)	Update provided. Closed
EMIB 03/01	30/03/12	8.	To discuss with her internal colleagues in the licence drafting review group and confirm the licence drafting timetable.	Ofgem (LF)	Update provided. Closed