

## Energy Market Issues for Biomethane (EMIB) Workgroup Minutes

**Friday 30 March 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
Brian Durber	(BD)	E.ON UK
Chris Bielby	(CB)	Scotia Gas Networks
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 Lewis	(RL)	ARUP
Richard Pomroy	(RP)	Wales & West Utilities
Steven Sherwood	(SS)	Scotia Gas Networks
Stuart Gibbons	(SG)	National Grid Distribution

### 1. Introduction

*Copies of all papers are available at: <http://www.gasgovernance.co.uk/emib/300312>*

TD welcomed all to the meeting. This was due to be the final EMIB meeting but it was now clear that a further meeting may be required to complete outstanding considerations.

### 2. Minutes of the Previous Meeting

#### 2.1 Approval of Minutes

The minutes of the previous meeting (30/01/12) 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 understood that an exemption was being pursued, but that the action should remain open for the time being.

### Carried Forward

**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:** LF advised that the Authority view is that costs associated with biogas connections are expected to be reflected in connection charges. If subsequent network reinforcement is needed, the costs should be treated in the same way as other investment, with only the cost driver being different.

Parties briefly debated the possibility of a five year window, within which time any subsequent connectee(s) would be expected to pick up a proportion of the initial connection charge - the connectee who picked up the deep connection charge in the first instance would be provided with an appropriate rebate. When asked who would be expected to pay for any within network costs, SS indicated that these would fall to the connectee at the time a connection was sought – those already

connected would not be expected to contribute directly to any network reinforcement costs.

LF agreed to provide suitable wording for inclusion within the EMIB Report, addressing in particular instances where demand reduces.

**Closed**

**Action EMIB 01/01:** DNs (RP) to prepare an NEA overview (i.e. what elements can be common and where differences may occur).

**Update:** A generic NEA overview had been published. When asked where capacity rights would be set out, RP confirmed the intention was for these to be within the NEA, although at this point, the actual detail is unclear.

**Closed**

**Action EMIB 01/02:** DNs (SS) obtain a legal view on plant and equipment ownership rights passing between parties

**Update:** SS confirmed that a legal view had confirmed there should be no impediment to ownership transfer.

**Closed**

**Action EMIB 01/03:** Dave Lander Consulting (DL) to propose a suitable technical specification for CV measurement devices for potential inclusion in Letter of Approval.

**Update:** DL confirmed that the recommendation previously accepted by EMIB has been included within the paper on the subject.

**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 certain aspects associated with downstream blending remain unresolved and he intends to discuss these with DP and report back in due course.

**Carried Forward**

**Action EMIB 01/05:** DNs to consider data communication flow requirements.

**Update:** TD suggested that this would be covered during discussions later in the meeting.

**Closed**

### **3. GDN Connection Policy for Biomethane Projects**

TD summarised that the proposed recommendation is that the existing deep connection charging policy should apply, with connectees bearing all costs associated with their connection. The GDNs will provide be obliged to provide only a minimum connection, i.e. the remotely operable valve where gas enters the network. The GDNs may provide upstream assets if requested to do so, but provision of the entry facility would be open to competition. UNC Workgroup 0391, Distributed Gas Charging Arrangements, is proposing that any GDN costs are reflected in cost reflective transportation charges applied specifically in light of the actual costs incurred at each specific entry point.

With respect to odorant, SS indicated that Scotia Gas Networks (SGN) had reconsidered their stance in light of the feedback received. They are now content for a third party to procure, own and operate odorant plant and equipment if they so wish. However, should a party request that SGN take on the obligation, they

would expect to accommodate them. RP confirmed that Wales & West Utilities (WWU) had reached the same conclusion as SGN.

With respect to provision of upstream entry facilities, RP emphasised that WWU should be able to quote for work if they want to, but should not be required to quote – creating a supplier of last resort would be contrary to a competitive market approach. JB believed this to be sensible, and it was agreed that the GDNs should not be obliged to provide any element of the entry facility upstream of the remotely operable valve.

The requirements for any specific entry point will be set out in its NEA, but the EMIB recommendation is that requirements should be based on a common, national, functional specification. The group was content with the present draft of the functional specification.

JB enquired where ownership of the functional specification would sit in the longer term as he is keen for it to remain fungible in the initial 12 month period, to facilitate tweaking the document in light of any emerging issues as the initial batch of biomethane projects come on stream. PH suggested that IGEM see it eventually sitting alongside other industry documentation, although it should be noted that their formal adoption and publication lead-time was unlikely to be shorter than 12 months. DP added that the ENA Distributed Gas Group would be monitoring the document in the interim, and the GDNs would expect to consult prior to any change being made.

#### **4. Capacity for Biomethane**

TD summarised that the proposed recommendation was for capacity rights to be made available provided the maximum capacity required is below the minimum expected exit demand. Whilst it was recognised that capacity could not be provided beyond this level, JB argued that development of an incentive mechanism in this area might prove beneficial in order to encourage innovation that might enable more capacity to be released.

TD enquired whether or not the group wished to recommend that an interruptible style product should be adopted. SS pointed out that meeting demands for capacity is a licence obligation and hence he would expect a service of this type to be included within NEAs as and when required.

AM voiced his concerns relating to potential financial impacts if capacity rights were interruptible, feeling that safeguards and expectations would be needed, covering things such as the likelihood and reasons for interruption. RP suggested that the Network Capacity reports could be used to inform parties financial considerations regarding the potential for interruption.

BD enquired, especially from a contractual point of view, as to what would happen if and when a (localised) emergency occurs – would rights exist to curtail the entrant. JB presumed that such rights would have to exist, and RP indicated that the legal terms of any NEA would be expected to cover-off these eventualities. MH observed that the option of flaring could prove helpful as a last resort to deal with emergency interruption. RP suggested scenarios such as these would be considered during the project planning stages, including development of suitable response mechanisms.

#### **5. Technical Standards Associated with Calorific Value Measurement for Biomethane Flows**

TD noted that the draft EMIB Report includes DL's paper and recommendations on CV measurement, suggesting a lower level of accuracy is appropriate. JB

believed that Ofgem had agreed to consult on this in due course. TD understood that Ofgem would prefer to receive the EMIB recommendations before any consultation is initiated. LF advised that Ofgem is looking for potential triggers that would initiate a combined consultation on a package of recommendations.

## **6. Gas Quality Analysis at Biomethane Entry**

TD noted that the functional specification effectively constitutes the group's recommendations on quality analysis. Dewpoint and oxygen content also needed consideration beyond this if any recommendations were to be proposed.

RP drew attention to the corrosion risk table before advising that WWU (on behalf of all the DNs) are still working on the oxygen (corrosion) issue. TD suggested that the EMIB Report could refer to WWU's ongoing corrosion work and any suggestions towards an appropriate set of words would be welcomed.

TD indicated that the group had previously agreed to support the recommendations on dewpoint in DL's paper, and this was accepted.

## **7. Transmission of Data to the GDNs Agent**

TD indicated that the Expert Group meeting had not reached a consensus as to whether or not it is appropriate for EMIB to recommend any changes to the Gas Thermal Energy Regulations. DP confirmed that the GDNs have commissioned DL to look further in to the matter. DL explained that he had undertaken some preliminary work and that in his opinion it is not simply about what functionality specifications are justified going forward. When asked, he confirmed that he believed there he would require a further week to complete his remit.

JB emphasised that the REA think the total CV and end of day energy information is all that is required – if that provides all the necessary information, the Regulations could be amended to make this possible. This has the potential to deliver significant cost savings for those bringing gas to the grid, and consequently provides consumer benefits through lower costs.

SG raised IP address security issues, which had been identified as a potential barrier to data transmission during Expert Group discussions. The problem is third party connectivity and access, which introduces risks for the Ulysses system – which is classified as critical national infrastructure. It was presumed, however, that a solution tot his would be found in the near future.

It was agreed that a further Expert Group meeting should be convened to further consider data transmission issues.

## **8. Licence Condition Drafting Process**

LF provided a brief overview of the paper explaining that she believes that there are one or two contentious areas that remain to be resolved. In essence there are two elements to the proposal, namely the licence condition that identifies what needs to be done and what associated guidelines would be deemed as appropriate.

DP felt that the issue of the licence drafting and process is closely related to the wider RIIO discussions and questioned whether EMIB participants are best placed to provide views on this subject. He also felt that time was needed to consider the paper before providing comments, bearing in mind that it was published at such short notice prior to the meeting. In supporting DP's concerns, RP suggested that two issues arise from this paper - what principles should / should not be included and aspects of the wider regulatory process around

licence proposals and changes. He was of the view that, to ensure consistency of both licence changes and how the licence processes work, these matters should be dealt with by the licence drafting review group. SS noted that the majority of the planned licence drafting workgroup meetings had not taken place due to various factors.

TD noted that LF had requested the item be added to the agenda in order to gain feedback from all parties rather than just the DNs. MH advised that he would consider the proposals with his colleagues and provide any feedback in due course.

JB suggested that care is needed to avoid introducing regulations for problems that do not exist and questioned what issue the proposal was trying to resolve. The DNs are being supportive of biomethane development and so no licence obligation is needed to deliver this – he remains, however, of the view that issues such as CV measurement are more important but do not need a licence change to resolve them. TD observed that producers may be keen to know what timelines are involved and who the key points of contact would be for any connection enquiry.

Focusing attention on Part C – Licensee’s Distributed Gas Information Strategy, LF advised that the Authority are asking for views on whether to advocate provision of different sets of guidelines for different types of connectees etc.

SS felt that paragraphs XX.6(b), (c) and (d) are unnecessary and could be potentially very expensive to deliver. Furthermore, the DNs believe that they would be unable to answer (b). JB wondered if the DNs could suggest a practical alternative to (b)?

RP indicated that Ofgem had asked the DNs to look at what biomethane licence requirements may be required going forward, and the DNs are not looking to be obstructive in responding to the request. LF advised that she would be collating any comments fed back to her and passing these on to her licence review group colleagues at Ofgem. A revised draft licence is expected around the third week of April with formal publication in June. LF agreed to confirm the licence drafting timetable.

AM enquired whether or not the GDNs would consider openly discussing points of entry and their associated requirements (i.e. easement considerations etc.) in future. SS advised that the licence obligations require that they develop suitable Standards of Service. LF said she remains of the view that a licence condition may be needed in future to make sure appropriate measures are developed and in place.

LF invited written feedback, especially relating to Part C. However, she asked parties to note that, whilst she would pass any feedback to colleagues within Ofgem, the decision over whether changes to the licence drafting would be undertaken is ultimately out of her hands.

**Action EMIB 03/01: Ofgem (LF) to confirm the licence drafting timetable.**

## 9. AOB

### Completion of EMIB Report

TD drew attention to the current wording within the ‘context’ section of the draft EMIB Workgroup Report, which is seeking to make the general case for changing the requirements at entry. There was consensus that the statements are appropriate. JB suggested that DECC are clear that they want to see costs kept to a minimum and this provides further justification for change.

SS enquired about the progress being made on a potential biomethane producers (DECC) exemption. In response, MH advised that DECC are working

on a recommendation for regulatory changes – TD agreed to include a reference to this within the report.

Regarding the status of the functional specification, DL advised it is now at version 5.4, although this has yet to be circulated.

TD advised that he would continue to update the draft EMIB Report as and when issues are resolved and recommendations agreed. The intention is for a final version to be published for comment ahead of the next full EMIB meeting. In the meantime, all comments and contributions would be welcome.

#### DECC Cost Control Consultation (RHI budget)

AM provided a brief update on the progress made to date, citing that the government are keen to avoid a repeat of the solar (PV) energy runaway budget experience. They are looking to identify a short-term trigger mechanism for the RHI funding closure.

The impact of this revised approach could be to put pressure on biomethane producers, network operators and interested parties to obtain (RHI) funding before the budget is exhausted – a potentially significant impact on some BtG projects with long lead times if an additional element of uncertainty is introduced. Whilst acknowledging that pressure may build up on projects with a longer lead time, based on current budget predictions MH was unsure whether or not this is a major issue.

### **10. Diary Planning for Workgroup**

*Details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary).*

It was agreed to hold an Expert Group meeting to consider data transmission issues on 16 April and a full EMIB meeting on 11 May, when the recommendations and final Report would hopefully be approved.

Suggested agenda items for future meetings would be welcome.

## EMIB 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 to be provided. <b>Carried Forward</b>
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. <b>Closed</b>
EMIB 01/01	30/01/12	3.	Prepare an NEA overview (i.e. what elements can be common and where differences may occur).	DNs (RP)	Update provided. <b>Closed</b>
EMIB 01/02	30/01/12	3.	Obtain a legal view on plant and equipment ownership rights passing between parties.	DNs (SS)	Update provided. <b>Closed</b>
EMIB 01/03	30/01/12	5.	Propose a suitable technical specification for CV measurement devices for potential inclusion in Letter of Approval.	Dave Lander Consulting (DL)	Update provided. <b>Closed</b>
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 to be provided. <b>Carried Forward</b>
EMIB 01/05	30/01/12	7.	Consider data communication flow requirements.	DNs	Update provided. <b>Closed</b>
EMIB 03/01	30/03/12	8.	Confirm the licence drafting timetable.	Ofgem (LF)	Update to be provided in due course.