

'Unofficial' Notes of Second ENTSOG Gas Quality Workshop, Cologne, 13th September 2016

(prepared by Phil Hobbins, National Grid NTS)

Attendance

80+ people attended, representatives from GB were:

Angus Paxton (Poyry)

Marshall Hall (OGUK)

Andrew Pearce (BP)

Phil Hobbins (NG NTS)

Ten Second Summary

ENTSOG presented the results of the consultation that closed on 15th July 2016, in which the majority of respondents favoured 'Voluntary Adoption' i.e. no amendment to the Interoperability Network Code (INT NC) should be made. Discussion in the meeting favoured this option. Transparency of responses was raised as an issue. ENTSOG will launch a second, shorter on-line consultation by 16th September 2016 that will be open for a 4 week period. (*GB stakeholders: see Joint Office e-mail of 16.9.16*).

European Commission (Zsuzsanna Szeles) presented (no slides).

The Commission still see harmonisation of gas quality parameters as an important step towards a more effective IEM in gas. EC has two main issues with the current standard: 1) Wobbe Index is not in it and 2) the standard today is not binding. A binding standard will in EC's view provide legal certainty and predictability for all elements of the EU gas market. EC welcome the high response rate to the ENTSOG consultation but would like to see more quantitative feedback (most so far has been qualitative). If, by December 2016, ENTSOG decides that it does not wish to proceed with an amendment to the INT NC, then the EC will take that into account; EC will not proceed to enforce a standard if nobody wants it. EC recognised that the inclusion of the CEN standard in INT NC is a possibility, not a certainty.

Angus acknowledged the EC's wish to see more data in order to determine whether the INT NC should be amended or not, but asked what the default position would be if such data is not available. EC replied that if the ENTSOG work demonstrates no case for an amendment – if it cannot be show that there are issues to resolve – then an amendment should not be made.

Marshall noted that the UK upstream community had submitted a lot of information to ENTSOG but that this had not been published. Also that the CEN standard initiative began pre-3rd package, pre-EU NCs and that there was now an apparent commitment to harmonise without taking these other developments into account. Marshall noted that the Commission have appeared willing to compromise on full harmonisation in the Tariffs Code for example and also that the regional aspect in the revision of the SoS Regulation has recognised that a 'one size fits all' approach is not always optimal. (The Commission took this as a compliment). Marshall encouraged the Commission to think "compatibility" between MS rather than "harmonisation" and hoped that sentiment would manifest at the forthcoming Madrid Forum.

Davide Rubini (Shell) asked what kind of data the Commission wanted and that given most stakeholders have said "there is no problem", the conclusion should be easy. Jacob Klimstra countered that it is good that this process is not 'automatic' because if the CEN standard proceeds into law as is then a minimum methane number of 65 would be a disaster for gas engine manufacturers. EC replied with a request for cost information around this.

Phil Hobbins (National Grid NTS) presented the current Interoperability Code rules about gas quality, prefacing this with a National Grid commitment to its relationships with EU stakeholders in spite of Brexit and that NG continued to see very strong value for GB within the internal energy market. (I got the sense that what I had expected would be a quick revision lesson was in fact news to some in the audience.)

ENTSOG (Antonio Gomez-Bruque) presented feedback on the consultation responses. The potential for 20% of UK supply to be locked out was mentioned several times. All UK respondents and all upstream respondents considered that gas quality is not a barrier today. German stakeholders responded strongly to the consultation but were more divided in their views on this issue. A number of respondents to the consultation said that different odourisation arrangements between MS could be a barrier but that is outside the scope of this initiative. Respondents were almost unanimous in the view that the CEN standard could not be implemented as currently drafted without any problems in their MS. The LNG community responded that total sulphur content could be a problem because US LNG typically contains greater than 20 mg/m³.

Marshall confirmed that US LNG O₂ spec is typically in the range of 30-50 mg/m³ and also that LNG importers require an oxygen entry spec higher than 10ppm. Also noted that not all IPs are cross border points, to which Antonio (ENTSOG) replied that the non-cross border IPs would have the same national gas quality spec either side of the IP.

Angus asked of the respondents that had said that there are gas quality barriers, how many are actual barriers or just potential barriers? Antonio replied that ENTSOG is currently carrying out implementation monitoring of the INT NC and will know shortly whether INT NC Article 15 has been invoked, but at present is aware of 1 actual barrier that is currently being resolved between TSOs out of the 26 potential barriers that were identified in consultation responses.

Kees Bowens of IOGP raised the lack of transparency of consultation responses as an issue; asked if all responses could be published. Antonio explained ENTSOG's current position; ENTSOG wanted TSOs to reply as well as all other stakeholders, it was agreed within ENTSOG not to publish TSO responses, but to avoid a situation where stakeholder responses were published but not those of TSOs, ENTSOG decided to not publish any response to be fair to everyone. ENTSOG committed that stakeholder responses to the second consultation would be published unless a stakeholder indicates otherwise and will re-discuss publication of responses to the first consultation with TSOs. I asked the room if any stakeholder would not wish their response to the first consultation to be published. Nobody said that they would not want their response to be published. Andrew Pearce stated that BP had no problem with its response being published; indeed expected it to be given that Q5 in the consultation had asked if the response was to be treated confidentially or not. ENTSOG said publication of responses to first public consultation will be reconsidered.

Kees questioned the need for another consultation. ENTSOG considered that it was necessary to give stakeholders an opportunity to revise their assessments if scenarios had not been clear or if further information was now available. ENTSOG also noted that even the 'voluntary adoption' scenario could lead to a barrier if, say, one MS adopted it and its neighbours did not.

Davide Rubini observed that the 'IPs only' option was not well supported by stakeholders and that the INT NC is mainly applicable to IPs only, therefore stakeholders are telling ENTSOG that a binding gas quality spec within that Regulation is not desirable. Davide also noted ENTSOG's assurance that if an amendment was made then Wobbe Index would not automatically be included in the future when the CEN Sector Forum Gas work has concluded but considered that, in practice, the precedent would be too strong to stop it.

A-Deviations were briefly discussed. Kees noted that the CEN standard had been adopted by MS by the narrowest of margins and that under ENTSOG's proposed principle that A-Deviations would no longer be applicable after the end of the implementation period, countries may have voted differently had they known that this would be the proposed implementation arrangement. Antonio (ENTSOG) noted that the potential for A-deviations is huge, so if they were retained under scenario 1 or 3, the implementation of the standard would be meaningless. There are also legal precedents which show how the EC has forced MS to remove A-deviations, which were regarded as unlawful barriers to trade.

Marshall, Angus and Phil all pointed out the various challenges that would be associated with implementing the CO₂ and O₂ parameters as flexible limits. ENTSOG said that their proposal is to apply flexibility on case by case basis subject to CBA and public consultation process. ENTSOG confirmed that as a result of that process, ENTSOG considers that parties may agree any value in between the CEN standard low and high limits (e.g. 3% for CO₂).

Antonio (ENTSOG) presented refined scenarios for the second consultation (see the end of the slide pack published on ENTSOG's website). The consultation will be launched around 16th September 2016 and will be open for 4 weeks. There will then be another stakeholder workshop on 16th November 2016 (venue tba) before ENTSOG publishes its conclusions and recommended course of action in December 2016.