



Gas Markets Newsletter

Issue: 17
March 2024



Welcome

Welcome to the latest edition of our Newsletter!

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A Message from Liz Ferry – Head of Markets



Welcome to March's Markets Newsletter. I'd like to start off by thanking Chris Logue for his service to National Gas and his leadership of the Markets team. He has been instrumental in leading the team in the development and delivery of the changes required to enable the efficient and effective management of the current gas market, and in enabling the future transition to a Net Zero economy. Chris has now left National Gas and I know he will be missed by all those that worked with him. I now have the pleasure of leading the Markets team on an interim basis and I look forward to working with everyone to progress these crucial industry topics.

We have had a busy period since our last newsletter, both in terms of winter preparedness and in our market development

activities. Demand Side Response (DSR) continues to be an area of focus for the Markets team, with work enhancement work progressing well to ensure readiness for the summer tender process. Additionally, National Gas welcomed the hydrogen package published by Government in December, which contained significant policy updates acting as essential signals for the future hydrogen economy. One of the key focuses of the Market development team is the commercial and market frameworks required to underpin both a blended and an 100% hydrogen network, and this development work is progressing well with industry.

Thank you for your continued engagement and input, and please let us know if there is any feedback for our team.

[Liz Ferry](#)

Gas Charging Arrangements Updates

Article 26 Consultation

Article 26 of the EU Tariff Network Code, as retained in UK law by the Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019, requires that a “periodic consultation” on the Reference Price Methodology must be completed “at least every five years”.

On 04 December 2023 Ofgem published its decision that NGT should carry out the periodic consultation under Article 26 of TAR NC. On 16 February 2024 NGT published the [consultation document](#) and associated [data tables](#). Any parties with an interest in gas transmission charging are encouraged to respond to provide views on any transmission charging related matters which they consider to be material.

The consultation will close on 16 April 2024 and responses should be submitted to box.gsoconsultations@nationalgrid.com

Transmission Services Charging: Future Developments

Following [Gas Charging Discussion Document 13](#) we are seeking industry views on the future of Transmission Services Charging giving the opportunity to focus and discuss broader elements of Transmission Services Charging. GCD13 focussed on one element of entry pricing: that of existing contracts. Taking on board the comments received and reflecting on what options may be available, we are proposing to discuss Transmission Services and Entry pricing. Specifically to explore any impacts and potential benefits of amending the Entry/ Exit split where currently 50% of revenues are levied to Entry and 50% levied on Exit Customers. This will be a standing agenda item at [NTS Charging Methodology Forum](#) where we are currently seeking industry views.

For more information, please contact [Colin Williams](#).

Non-Transmission Services Charging: Proposals for Change

Non-Transmission Charges is an area where we are discussing potential options for some structural reforms. Historically, Non-Transmission Services revenues to recover each year have

remained relatively stable from year to year. However, more recently, Non-Transmission revenues, and therefore charges, have experienced significant volatility. Tariff volatility is not desirable and NGT has initiated measures to address this, including:

- A decision to defer £100m Allowed Revenue from FY24 to FY25 was announced in July. This had the effect of reducing the General Non-Transmission Services Charge applicable from 01 October 2023
- Introduction of a minimum General Non-Transmission Services charge (more detail below – UNC 0847)
- Revising the method of determination of Non-Transmission Services Gas Year Target Revenue (more detail below – UNC 0857)

These measures form part of a wider strategy to address Non-Transmission tariff volatility.

Further potential structural reforms which aim to bring closer alignment between the tariffs and market related costs at the time (e.g. shrinkage), facilitating a more accurate recovery of costs and reducing the impact of large reconciliations are being discussed through the [NTS Charging Methodology Forum](#) (NTSCMF) as part of Non-Transmission Charging Reforms.

For more information, please contact [Colin Williams](#).

Introduction of a minimum General Non-Transmission Services Charge

[UNC Modification 0847](#) was approved by Ofgem on 22 November 2023 and implemented on 19 December 2023. Due to the way in which General Non-Transmission Services Charges are calculated, there exists, under certain circumstances, a possibility that the methodology used to determine the General Non-Transmission Service Charge could produce a negative value. With the implementation of UNC0847 a minimum General Non-Transmission Services Charge of 0.0001p/kWh has been introduced into UNC, ensuring that zero or negative prices are not able to materialise under any circumstances.

For more information, please contact [Colin Williams](#).

Modification to Revise the Determination of Non-Transmission Services Gas Year Target Revenue

[UNC Modification 0857](#) was raised to revise the method of determination of NGT's Allowed Non-Transmission Services revenue for a Gas Year. Allowed Revenues are applicable for a Formula Year; this is the period from April to March. However, charges are applicable for a Gas Year; this is the period from October to September. There is therefore a requirement when setting charges to determine a Gas Year target revenue value from the two 'part' Formula Years that coincide with the relevant Gas Year.

This Proposal would revise the method used to determine Gas Year target revenue by considering the Allowed Revenues for both Formula Years that make up the Gas Year instead of only the first of such Formula Years, as under the existing methodology.

The key aim of this change is to achieve a reduction in the volatility of year-on-year changes to the Non-Transmission Services Gas Year target revenue that will in turn reduce, not remove, volatility in the General Non-Transmission Services Charges. Consultation closed on 26 January

and UNC Panel recommended it for implementation. The proposal is now with Ofgem for a decision.

For more information, please contact [Colin Williams](#).

Industry Stakeholder Engagement

NGT will continue to engage industry stakeholders using the NTSCMF, NGT led webinars (where required), 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](#).

Supporting Security of Supply Updates

Demand Side Response (DSR)

We are continuing our programme of DSR reform for daily metered customers based on feedback from industry. We are proposing a number of enhancements to take effect for this year's DSR options tender in [Modification 0866](#) that we are currently developing the detail of via UNC development workgroups and parallel engagement with industrial consumers and their associations, for which formal consultation is targeted this Spring. Separately, we've raised [Modification 0867](#) which proposes the concept of aggregation, whereby industrial sites that are too small to participate on their own could 'team up' with others and offer voluntary demand reduction through a third party aggregator. We're currently working with both consumers and potential aggregators to assess the likely uptake of such a service to inform whether or not we should ultimately proceed to deliver this.

For more details, please contact [Phil Hobbins](#).

Non-Daily Metered Demand Side Response (NDM DSR)

Following the consultation period for [Modification 0856](#) and continued engagement with industry stakeholders including Ofgem and Department for Energy Security and Net Zero (DESNZ), National Gas Transmission (NGT) have decided to cease development of the NDM DSR products. The primary drivers for this are the social risks associated to the interaction with domestic and vulnerable consumers, and the economic risks associated to the level of incentivisation Shippers have suggested would be necessary for them to participate. Due to these risks, and continued engagement with Ofgem, we cannot foresee a scenario where Ofgem are likely to approve a Specification Document unless the risks have been mitigated due to their primary function of protecting the interests of existing and future consumers, and those particularly those with protected characteristics. We would like to thank the stakeholders who have engaged with us on this important topic.

For more information please see the following [communication](#), or contact [Matthew Newman](#).

Hydrogen Blending Updates

Hydrogen blending in the distribution networks

In December 2023, the Department of Energy made a strategic decision to support hydrogen blending into the distribution networks by up to 20% by volume. This decision remains subject to a full HSE safety case review and further economic analysis, therefore a substantive decision on whether to enable blending remains outstanding. Further details on a timeline for transmission blending is expected later this year and engagement with our adjacent EU TSO's is already underway regarding gas quality specifications across interconnectors, to ensure the continuation of cross-border trade.

A suitable blending delivery model will be developed through the Gas Goes Green work programme and the commercial framework changes required to enable blending are currently being reviewed with industry via UNC Review Group 0849R. The purpose of this review group is to explore the current legislative hierarchy and its compatibility with a hydrogen blended gas. Industry participants will then discuss the relevant changes required to implement hydrogen blending with the objective of developing a suitable enabling modification by the end of this year.

For more details, please contact [Megan Bray](#).

A visit to 10 Downing Street



This month, National Gas were additionally invited to No10 to discuss the future of energy decarbonisation including the development of a Hydrogen economy. Future decisions within this space will be critical to successfully achieving the UK's low carbon targets and net zero.

EU Policy Updates

EU “Gas Package” and Industrial Carbon Management Strategy

The Markets Team has spent the last few weeks analysing the latest decisions adopted by the European Union. In December, EU Policymakers reached a [landmark agreement](#) on the so called “Gas Package”. New provisions will be introduced to:

- facilitate the integration of renewable and low-carbon gases into the existing gas network
- create a level playing field based on EU-wide rules for hydrogen market and infrastructure and
- ensure a more integrated network planning between electricity, gas, and hydrogen networks.

We've consolidated our preliminary analysis through input from the Future of Gas Steering Group (January) and the Transmission Workgroup (February). The Gas Package was also extensively examined during the 7th meeting of the EU-UK gas TSO's Task Force which took place in Brussels on 31st January (see photo).



Megan and Dan used this opportunity to present the announcements made in December by the HM Government on Hydrogen as well as National Gas' Study on a Commercial framework for Project Union.

Unnerved by the farmer movement and rising Euroscepticism, the European Commission has [carefully presented](#) how they wish to complete the EU's decarbonisation roadmap with a new 2040 decarbonisation target of 90% net GHG emission reduction. At this stage, this proposal is only opening the debate about the post-2030 framework, as mandated by the European Climate Law. It has been complemented by a [Communication on Industrial Carbon Management](#), outlining the role CCUS technologies would play to reach the 2040 and 2050 targets. In order to support this common decarbonisation effort and leverage the benefits of hydrogen as well as CCUS, National Gas and Fluxys signed a [Memorandum of Understanding](#) last December in Brussels. Last but not least, the LookNorthH2 project, successfully selected in January to benefit from SIF fundings, will start investigating the benefits an offshore energy island could provide.

For more details, please contact [Ronan Haas](#).



Gas Quality Updates

GS(M)R Review

In March 2023, a [review of the GS\(M\)R 1996](#) was completed which reduced the lower limit for the Wobbe Index of gas that UK transporters are permitted to convey in their networks with effect from April 2025.

We will shortly be raising an ‘enabling’ UNC Modification to implement this change into the entry arrangements we have with terminal operators that wish to adopt it. This UNC modification will also consider how the transparency of gas quality data can be improved to enable exit stakeholders who are sensitive to changes in Wobbe Index to cope with the expanded range. An update to the EU CEN standard for gas quality is open to public consultation until 14th March, for which UK stakeholder comments should be submitted for BSI consideration by 29th February 2024. We also note that Ofgem have published a [Call for Input](#) seeking expressions of interest in reviewing the upper limit for Wobbe Index contained in the GS(M)R.

Biomethane producers have told us that a higher oxygen limit would be helpful we are therefore also exploring the impacts of this with a view to securing a GS(M)R exemption and will engage further with industry about how we would manage such relaxations to avoid any adverse impact on installations that are sensitive to oxygen content, e.g. salt cavity storage facilities.

For more details, please contact [Phil Hobbins](#).

Further Industry Updates

Modification 0864: UNC Code Communication Update

The Public Switched Telephone Network (PSTN), the copper analogue lines that support land lines and other connected devices, is being decommissioned no later than the end of 2025. The underpinning driver for this is believed to be maintenance costs of the ageing infrastructure, and broadband internet demand progressively switching to fibre optic. PSTN will be replaced with Voice over Internet Protocol (VoIP; or IP for short) digital lines. Some countries have already completed this switch and others are implementing a phased switch now. Whilst there are benefits associated with a PSTN-VoIP upgrade, devices connected to landline networks may become obsolete. Further information on these changes can be found on the [UK Government](#) and [Ofcom](#) webpages.

Fax machines are one such device that may become obsolete following the PSTN decommissioning and this needs to be considered by the GB gas industry and beyond. The retirement of facsimile is unlikely to have a significant operational impact due to its extremely low usage today, with industry engagement supporting this view. Nevertheless, facsimile remains embedded into contracts and industry code, such as the Uniform Network Code (UNC) as a Code Communication method. It is thus imperative that a swift modification to code is implemented to align code with today’s operational procedures for meeting communication obligations specified within the UNC.

[UNC Modification 0864](#) aims to resolve the aforementioned problem by deleting references to fax and facsimile throughout UNC documents and, where appropriate, replacing with an

alternative method of communication. This Modification has proceeded to Governance Workgroup and we welcome attendance from industry Parties to help shape and finalise the proposed solution. We also would like to thank everybody who has engaged with this Modification so far.

For more details, please contact [Gavin Williams](#).

System Management Principles Statement (SMPS) Review

The Annual Review of the SMPS took place in February (closing date 29th February). The SPMS outlines the broad framework by which National Gas Transmission as System Operator will make system management decisions. The document has been updated to include more information about the use of Demand Side Response, as well as other non-material changes including updating company name references to National Gas Transmission and other associated re-branding.

For more details, please see our [website](#) or contact [Gavin Williams](#).

Exit Capacity Release Methodology (ExCR) Review

A review of the ExCR is currently taking place. The Exit Capacity Release Methodology Statement describes how we determine the amount of exit capacity we will release to meet our obligations in the Licence and Uniform Network Code.

A review of the ExCR takes place at least every two years. Following a submission to Ofgem, a derogation has been granted from our obligation to seek independent examination of our proposed changes for this current review. Ofgem's response, including their justification, to our request can be found on their [website](#).

We have now opened the consultation process for our proposed changes. The tracked change version and clean version of our proposed amendments can be found on our [website](#) with the consultation due to close on Wednesday 27th March.

For more details, please contact [Conor McClarin](#).

Gemini Sustain Plus Update

Work on the Gemini Sustain Plus programme is well underway and we continue to focus on engagement activities. Our next Focus group will take place on 18th March. In this session we will cover Market Trials, Connectivity & Onboarding as well as further system demonstrations. There will be lots of opportunity to ask any questions during the session. If you have yet to receive an invitation, please email the programme team: geminiengagement@correla.com.

If you are an existing Gemini user, it is important that you participate in connectivity and onboarding. A new identity management solution is being implemented as part of Gemini Sustain Plus which will require the creation of new access credentials for all system users. The programme team have written to all Local Security Officers and Contract Managers to conduct an audit to ensure you receive your new Gemini User ID ready for September.

We will be facilitating market trials which are due to commence early June this year. This is a great opportunity to get involved and familiarise yourself with the new system before it launches. If you'd like to take part in our market trials, you will need to register your interest no later than 13th May 24 by completing the following form: [Market Participation Form](#).

As part of the Programme, we will be implementing a Learning Management System to provide a platform for Gemini users to be able to self-learn Gemini processes. Access to the system will be available from May, and full training and support will be provided throughout the rollout of the programme.

You can find out more about the programme on our dedicated [website](#). This includes FAQs, details of the Focus Groups which include system demonstrations, and programme materials. Do check back regularly as content will be added as we go through the programme.

If you require any further information then please contact the dedicated [Programme Team](#).

Team Updates

New Joiners

Over the past month, we have welcomed a new member to our team!

Phoebe Nixon



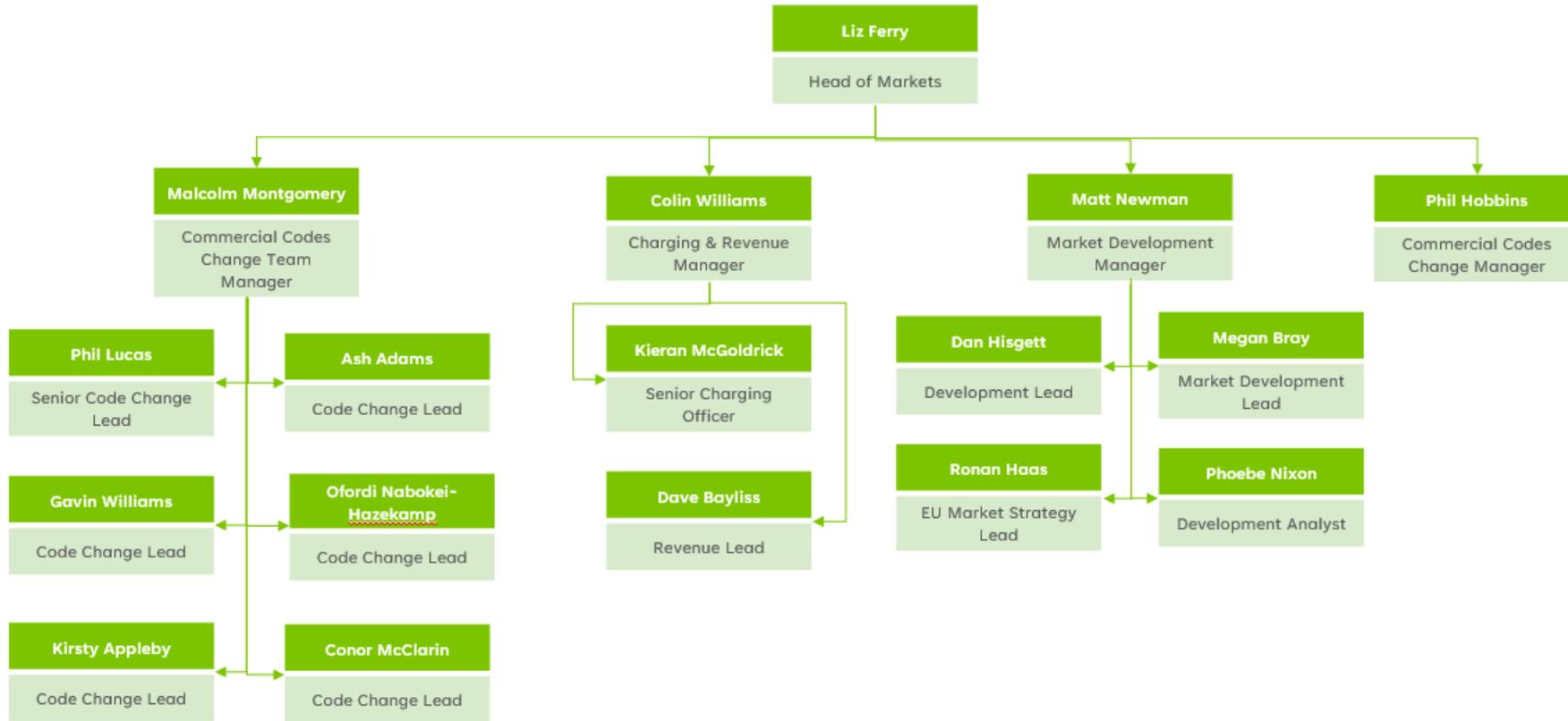
Phoebe joined the Market Development team in January as an Analyst. Phoebe joined us from the water industry, where she worked on modification proposals in the non-household water retail market. Prior to this, she was involved in volunteering initiatives and social-impact consulting in Berlin where she spent a year following graduation. She holds an undergraduate degree in Politics, Philosophy and Economics (PPE) but is also keenly interested in learning languages, data analytics and sustainability. Now working in energy development, Phoebe will be focussing on developing the commercial frameworks for Carbon Capture, Usage and Storage (CCUS).

Churchover Compressor Station Visit

As well as welcoming a new starter to the team, for this month's Markets team meeting, we were able to organise a day at Churchover compressor station and were lucky enough to get a tour of the compressor site (see picture of our team members in full PPE below).



Team Chart



Contact Us

We would love to hear from you! You can contact us by e-mailing:

box.gsoconsultations@nationalgrid.com

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