

Future of Gas

Minutes from Steering Group meeting on 15th July 2020

Location

Microsoft Teams – Virtual Meeting

Attendees

Helen Campbell (Chair) – National Grid
Chris Logue – National Grid
Ray Arrell – REGEN
Robert Hewitt – BEIS
Alexandra Howe - BEIS
Julie Cox – Energy UK
Lisa Fischer – E3G
Professor Joe Howe – Thornton Energy Institute
Kirsty Ingham – ESB
Richard Fairholme – Uniper
Angus Paxton – AFRY
Will Webster – OGUK
Robin Cannings – Storengy
Sam French – Johnson Matthey
Lauren Snoxell – Citizens Advice
Hywel Lloyd – UK100 Local Government Leaders
David Mitchell – Chemical Industries Association

Alternatives

Bogdan Kowalewicz [Ofgem] for David O'Neill
Pavanjit Dhesi [IUK] for Steven De Ranter
Stuart Easterbrook [Cadent] for Lorna Millington

Apologies

Emma Buckton - NGN
Steven De Ranter – Interconnector UK
David O'Neill – Ofgem
Marcus Newborough – ITM Power
Corrin Taylor – DNV GL
Lorna Millington – Cadent

Welcome and Introductions

Helen Campbell (Chair) welcomed members and noted housekeeping rules for the virtual meeting as well as apologies.

Helen noted that there had been changes to the membership since the last meeting and welcomed Robert Hewitt & Alexandra Howe from BEIS who would be replacing David Buttery moving forwards as well as welcoming Lauren Snoxell from Citizens Advice who would be replacing James Kerr. Helen also introduced Susannah Ferris as a new member to the GMaP team, replacing Imran Abdulla as development lead on the Hydrogen focus area project. All new members then gave a brief introduction for themselves.

Helen then took the group through the agenda for the meeting before handing over to Bill Goode for the first of the GMaP Project Updates.

GMaP Gas Quality Project Update

Bill Goode, GMaP Gas Quality Lead, welcomed members and confirmed that today he would be focusing on updating the group on progress to the first inflight project of the Gas Quality Focus Area followed by a Q&A session and a request for the group to input and provide strategic direction to the project moving forwards.

Project Update:

- Project scoping session with 20+ delegates facilitated
- 3 initial projects identified
 - Implementing the Gas Quality Standards
 - Governance arrangements relating to the proposed Gas Quality Standard
 - Impacts upon end users from Gas Quality Fluctuations
- Further engagement resulted in a decision to undertake a hybrid of the first two project options resulting in the “Implementing the Proposed Gas Quality Standards” project¹
- Project Structure
 - Situation Analysis: Complete
 - Optioneering: In Progress (due August 2020)
 - Engagement Window: Not Started (due September 2020)
 - Final Report Creation: Not Started (due October 2020)
- Next Steps
 - Publish Final Report
 - Engage with Industry regarding the first phase of potential gas quality changes
 - Commence the second Gas Quality project, “Impacts upon large end users” from gas quality fluctuations.

The session was then opened for member input where it was offered that during the engagement window phase, industry parties that are cross border (EU & N.I.) should be consulted as to highlight any potential issues arising from interconnected markets and acceptable gas quality standards. It was also noted that the role of the government and HSE in

¹ Detailed Project Scope can be found at: <https://futureofgas.uk/wp-content/uploads/2020/05/Gas-Quality-Implementation-Project-Scope-v1.0.pdf>

the enduring Gas Quality Standards process needs to be understood as to inform the project moving forwards which was acknowledged by the BEIS members and Bill Goode noted that he will also be directly engaging with the HSE around this issue moving forwards.

GMaP Hydrogen Project Update

Suki Ferris, GMaP Hydrogen Lead, welcomed members and confirmed that she would be focusing on updating the group on progress within the Hydrogen Project Focus Area followed by a Q&A session and a request for the group to input and provide strategic direction to the project moving forwards.

Project Update:

- Large amount of engagement performed to input into the project from a series of cross-industry working groups
- Project objective to “outline potential market change based upon a range of hydrogen scenarios”
- Project Structure
 - Develop Hydrogen Scenarios: Complete
 - Explore Market Principles: In progress (due September 2020)
 - Deep Dive into Market Change: Not Started (due October 2020)
 - Final Report Creation: Not Started (due October 2020)

The session was then opened for member input and questions where it was asked if the project would be looking at the transition phase and blended gas markets. It was confirmed that the project is looking at a pure hydrogen market future however, it recognises the transition phase and the scenarios consider both a segregated or singular hydrogen market. It was also offered that Equinor and BEIS should be consulted to input into the project moving forward where it was confirmed that both parties do sit on the external working group already.

GMaP Balancing & Capacity Access Project Recommendation

Jonathan Cranmer, GMaP Balancing Lead, welcomed members and confirmed that he would be presenting a project recommendation to the group alongside his colleague, Jonathan Baggott, Code Change Lead – Gas. The main aim of the presentation was to gain endorsement from the group for the project and nominations to form an external working party.

Both then took the group through the work completed to date to reach the project recommendation which consisted of numerous bi-lateral and multi-lateral meetings with various industry parties as to determine the industries view on the challenges possibly faced by both regimes with future industry developments. The comments from these meetings was then analysed as to establish a best way forward with input from National Grid SME’s which resulted in the project recommendation.

Project Recommendation:

- Balancing market arrangements will be considered alongside Capacity Access arrangements

- Project Recommendation, “To Assess the largest likely physical developments to the gas networks over the next 10 years and understand how balancing and capacity market-based mechanisms can be developed to facilitate these changes.”
- Project Structure: Indicative timescale: ~6 months
 - Project Set Up: Complete
 - Identify Largest Physical Changes: In progress
 - Ask the Right Questions: Not Started
 - Output and dissemination: Not Started
- Project Aims:
 - Output a straw-man(men) of a future regime
 - Build a solid foundation from which to work with industry to develop
 - Highlight specific issues for further collaboration and analysis
 - Explore the full breadth of implications and needs of a future regime
 - Provide insight to the path from today's world to the future regime

The session was then opened for member endorsement, input, questions and nominations for the external working group.

- Project received endorsement from the group to take forward
- Members debated specific project considerations such as; EU Energy Regulation adherence post Brexit, Whole System approaches, business models through the transition and sub-daily balancing arrangements.
- Several nominations from the group were received to form the external working group for the project.

Cadent Project Updates: “Future Billing Methodology” and “Hydrogen Blending”

Stuart Easterbrook, Future Gas Strategy Manager – Cadent, then gave updates on two projects that Cadent are running.

Details on the Future Billing Methodology can be found at:
<https://futurebillingmethodology.co.uk/>

Stuart then presented on the “Hydrogen Blending Framework Impact” study that is being taken forward by Frontier Economics which looks to understand what commercial framework is required to connect the first Hydrogen Blending projects to the network.

Project Staging:

- Stage 1: Identification of issues and challenges: (Complete)
- Stage 2: Identification and assessment of solutions: (Complete)
- Stage 3: Roadmap Communications: (In Progress)

Key Components of the Commercial Framework being considered:

- Connection
- Dispatch
- System Operation
- Network Pricing
- Shrinkage
- Billing

Next Steps:

- Finalise roadmap for actions to enable initial blending, followed by uniform framework for multiple Hydrogen connections
- Socialise the final roadmap with stakeholders
- Determine how to take forward the Roadmap with Industry, Ofgem and Government
- Final report will be published on the NIA website

Policy Update from BEIS

Alexandra Howe, Head of Gas Security, Networks and Markets – BEIS, provided a policy update and an update on progress on various projects.

- Consultation on the Future Support for Low Carbon Heat has now closed with results to be published shortly
- COVID-19 response in the gas markets has been a particular focus over recent months
- Chancellor unveiled his Summer Statement which included a green home grant of up to £5000 per household to make them more energy efficient with further guidance to be published in the autumn
- Work on the future relationship with Europe with respect to energy markets has continued virtually during lockdown with the FTA still been negotiated which seeks broad cooperation with the EU moving forward

Looking forwards, Alexandra provided an update as to expected publications which BEIS are working on which included:

- Energy White Paper (Expected Autumn 2020)
- Heat & Buildings Strategy (To be published shortly – no confirmed date)
- Business Models for Low Carbon Hydrogen Production (Expected Autumn 2020)
- Carbon Budget 6 (To be published shortly – tentative December 2020)
- Industrial Energy Transformation Fund: Phase 1 (Application window opens from 20/07/2020)

Future of Gas Steering Group – Terms of Reference Review

Neil Rowley, Gas Markets Development Manager, then updated the group on the Terms of Reference. Neil confirmed that these terms will be reviewed annually to reflect changes, implement lessons learnt from the previous years activity, clarify implicit points and refine certain areas.

Feedback from the group was requested post meeting with the final revised Terms of Reference will available as an attachment to these minutes.

Future of Gas Steering Group - Member Updates

Neil Rowley opened the session for members to provide updates on projects and information relevant and of interest to the group.

- Julie Cox (Energy UK)
 - Hydrogen work taking greater prevalence within the organisation
 - All-Party Parliamentary Group on Hydrogen – submission and evidence given
 - Environmental Audit Committee looking at the role of Hydrogen – submission and evidence given
 - Published vision for pathways for recovery post COVID-19
- Ray Arrell (REGEN)
 - Published outcomes from Net-Zero South Wales project
 - Details can be found at:
 - See project overview here: <https://www.regen.co.uk/project/net-zero-south-wales/>
 - Watch the launch webinar here: <https://www.youtube.com/watch?v=1UjSCNSXaHo&feature=youtu.be>
 - Download the results report for South Wales region here: <https://www.regen.co.uk/wp-content/uploads/Net-Zero-South-Wales-Final.pdf>
 - Download the learning report for doing an elec & gas DFES together for the first time here: <https://www.regen.co.uk/wp-content/uploads/NZSW-Learning-Report-FINAL.pdf>
- Lisa Fischer (E3G)
 - Environmental Audit Committee looking at the role of Hydrogen – submission and evidence given
 - Input in to the European Hydrogen Strategy; details of which can be found at: https://www.e3g.org/wp-content/uploads/11_6_20_E3G_EU-Hydrogen-Strategy-HARNESSING-MOMENTUM-FOR-A-NEW-REGULATORY-APPROACH.pdf
- Robin Cannings (Storengy)
 - Launched first Hydrogen project looking at refuelling fleet vehicles with Green Hydrogen in conjunction with Cheshire East Council. Details can be found at: <https://www.storengy.co.uk/our-products-and-services/green-gases-hydrogen-biogas/hydrogen>
- Professor Joe Howe (Thornton Energy Institute, University of Chester)
 - Working on several projects including:
 - HyNet
 - Hydrogen Production and CCUS Initiatives
 - Northwest Hydrogen Alliance
 - Engineering & Construction Industry Training Board
 - Industrial Decarbonisation Research and Innovation Centre
 - Net-Zero Northwest
- Hywel Lloyd (UK 100 Local Government Leaders)
 - Involved in APG on clean finance
 - Started a Countryside Network involving more rural authorities looking at energy requirements and solutions

Meeting End.