

Gas Markets Newsletter

Issue: 16
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Welcome

Welcome to the latest edition of our Newsletter!

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A Message from Chris Logue – Head of Markets

Welcome to October's Markets Newsletter.

As discussed in previous newsletters, the Markets team continue to support and enhance our Demand Side Response arrangements. Work continues to develop, and you can find out more about what has been done in this area below. I am extremely proud of the work the team has done, and are continuing to do, in developing reforms for future stability and improve the UK's security of supply. This is only possible with your input, challenge and constructive participation in this area so thank you all for your time and engagement with the team.

Transmission Charging also continues to be an area that generates a lot of interest. We held a webinar on 27th July, to provide an update on Non-Transmission Services Charging. If you missed the session, the slides can be found [here](#). Further details on charging, and in particular our proposals to address the impacts of Non-Transmission Charging issues can be found below.

Since our last newsletter you may have noticed some changes to our team. Josh Bates, Commercial Team Manager has recently left National Gas Transmission after 7 years with us. We are sorry to see Josh go, and thank him for all his hard work and wish him all the best for the future. We welcome Malcolm back to the Markets Team from his secondment to DESNZ, he takes over as Commercial Team Manager and will be our representative at UNC Panel. We also welcome, Gavin, Liz and Conor to the team, you can find out more [here](#).

The Team have produced two useful overview documents: an [End-to-End Balancing Guide](#) and a [Charging Guide](#) (an introduction to the basics of charging). Please share your feedback, as we would love to hear your thoughts and any suggestions you may have.

Another piece that I would like to bring your attention to is our recently published report on the commercial arrangements for a hydrogen transmission network (Project Union). There are more details in this newsletter but I really believe that the work we've done is a significant step forwards and our report will become a reference piece as hydrogen networks are developed and commissioned.

[Chris Logue](#)

Gas Charging Arrangements

Publication of October 2023 Transportation Statement

The October 2023 Transportation Statement has been published and can be found on the Charging section of our [website](#). This document sets out all the transportation charges that apply from 1st October 2023 for access and use of the National Transmission System (NTS). Most recently we published the General Non-Transmission Services Charge summarised below

General Non-Transmission Services Charge	October 2022	October 2023
Entry	0.0343	0.0533
Exit	0.0343	0.0533

You will note that the General Non-Transmission Services Charge has increased from October 2022. As previously communicated, the primary driver for this has been Market volatility affecting costs, (predominantly shrinkage). This is discussed in more detail below.

Non-Transmission Services Charging: Proposals for Change

We held a webinar on 27th July to discuss Non-Transmission Charges and the Market volatility affecting costs and revenues. If you missed the session, a copy of the webinar slides can be found [here](#).

Non-Transmission Charges is an area where we are proposing change. Historically, Non-Transmission Services revenues 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. Details can be found [here](#). This had the effect of reducing the General Non-Transmission Services Charge applicable from 01 October 2023
- Introduction of a Minimum Price Modification (more detail below)
- Revising the method of determination of Gas Year Target Revenue (more detail below)

These measures form part of a wider strategy to address Non-Transmission tariff volatility. Further structural reforms will continue to be discussed at [NTS Charging Methodology Forum](#) (NTSCMF).

Introduction of a minimum General non-transmission Services Charges modification

[UNC Modification 0847](#) was raised to propose the introduction of a minimum General Non-Transmission Services Charge. Due to the way in which General Non-Transmission Services Charges are calculated, there exists, under certain circumstances, the possibility that the current methodology could produce a negative charge. This proposal will introduce a minimum General Non-Transmission Services Charge of 0.0001p/kWh, ensuring that zero or negative prices are not able to materialise under any circumstances.

This proposal is currently with Ofgem for a decision. For more information, please contact [Ash Adams](#).

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

We have recently raised [UNC Modification 0857](#). This modification proposes 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 greater degree of year-on-year stability of General Non-Transmission Services Gas Year target revenues, and the impacts this can therefore have on General Non-Transmission Services Charges. For more information, please contact [Ash Adams](#)

Charging Guide

National Gas own and operate the gas National Transmission System (NTS). Our primary responsibility is to transport gas from supply points to exit offtake points safely, efficiently and reliably. We manage the day-to-day operation of the network. We have written a Charging Guide to aid your understanding of how we determine the charges for shippers for using our network to transport gas.

We hope you find the guide concise, easy to follow and useful. The guide will be updated periodically, so if you have any questions, suggestions or comments on how we can improve this document then please do let us know by contacting [Kirsty Appleby](#).

The guide can be found [here](#).

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

Demand Side Response (DSR)

We have continued to work intensively over the summer with shippers, consumers and other stakeholders to reform DSR arrangements ahead of Winter 2023/24. We raised UNC Modifications [0844](#) and [0845](#) to deliver these reforms which included the ability for us to contract directly with consumers (as well as shippers) for DSR and a new D-5 product. Ofgem approved these proposals, consequential changes to our DSR Methodology and our requests for the relevant Licence derogations in early August 2023, enabling their inclusion in the DSR options tender that was launched later that month. That procurement process has now been completed from which we have seen a growth in the market since last year, with 0.6 mcm/d of DSR now pre-contracted ahead of this winter.

For further details about the tender results please see our [Tender Outcome Report](#) that has been published on our [DSR Webpage](#). We propose to develop further DSR reforms ahead of winter 2024/25 and have already begun engagement on this via Transmission Workgroup and separately with consumers.

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

UNC0856 Introduction of Trials for Non-Daily Metered (NDM) Demand Side Response (DSR)

In addition to the reforms and enhancements highlighted above, we are also seeking to explore the suitability of a Non-Daily Metered (NDM) DSR product which could further develop our suite of DSR tools. Therefore, we have raised UNC Modification [0856](#) which seeks to introduce a framework that permits NGT to run NDM DSR trials. In order to run a trial, we would produce, publish and consult upon a specification document which outlines the scope of the trial. The specification would require approval from Ofgem to proceed with the trial.

If this Modification is implemented, we plan to run a trial during March 2024 – April 2024 with the aim of gathering data and contributing towards our longer-term thinking on the appropriateness of a NDM DSR product. We consider that the key outputs of the trials will:

- Provide insight into the price incentives required for Consumers and service providers to participate.
- Contribute towards our longer term thinking on the viability of this as an enduring product.
- Help us better understand the risks associated to Domestic demand reduction and especially the impact on vulnerable consumers.
- Assist with our understanding of how a NDM DSR product would impact the whole energy system

A separate workstream has been set up to develop our thinking through engagements with different organisations who have a NDM portfolio and may be willing to support us with the trials. We are also working closely with the Department for Energy Security and Net Zero (DESNZ) and Ofgem who recognise the importance of ensuring our pre-emergency tools are effective.

For more details, please email [Matt Newman](#).

UNC0859 Reintroduction of the enhanced pressure service and increased MNEPOR for BBLC (as introduced by UNC0814)

Last year we raised the Urgent Enabling Modification [0814](#) which permitted changes to BBLC Interconnector Agreement (IA) to allow them access to the existing enhanced pressure service which helps facilitate higher export pressures at Bacton Interconnectors and also increase their Maximum Network Exit Point Offtake Rate (MNEPOR). These arrangements were temporary in nature and expired at the end of September 2023, unfortunately, due to unforeseen delays in implementation and changes in prevailing gas market, BBLC were unable to utilise these arrangements before they expired.

Therefore, we have raised UNC Modification [0859](#) which seeks to reintroduce these arrangements until the of December 2024 which would allow us and BBLC to better understand if there are any adverse effects of BBLC flowing at the higher rate to other users of the NTS.

Currently, Interconnector Ltd (INT) have enduring access to the enhanced pressure service and 0859 seeks to put BBLC and INT on equal contractual terms regarding the enhanced pressure service which will increase the level of competition for the available capacity at Bacton Exit IP.

For more details, please email [Matt Newman](#).

Gas Market Plan (GMaP) Updates

Hydrogen Blending

Expectations are that The Department of Energy will be making a decision in principle on hydrogen blending into the Distribution Networks this year, with a decision for Transmission likely to follow.

The ENA, Gas Goes Green Workgroup have therefore submitted UNC Review Group 0849R which will take place from June 2023 through to January 2024. The purpose of this Review Group is to explore the current legislative hierarchy and its compatibility with a hydrogen blended gas. Industry participants will discuss and agree on any changes that may be required to the UNC, whilst also highlighting any areas where further work is required before a final modification can be developed.

For more information on UNC 0849R, please contact [Megan Bray](#).

Project Union

We have now published our GMaP report into the Commercial Frameworks required to enable a 100% Hydrogen Transmission Network. The report uses Project Union as a case study and, within the context of the existing NTS commercial frameworks, explores some of the issues

and barriers to be overcome in either modifying the existing frameworks or developing a new one along with some initial recommendations for areas of further development.

The report is now available via the link on our [Future of Gas webpages](#) and an overview was presented at this quarter's Future of Gas Steering Group. If you would like to know more about the report or have any comments and questions, please contact us at box.FOGForum@nationalgrid.com.

For more information, please contact [Dan Hisgett](#).

Policy Updates

New Policy Strategy and key policy objectives

Ned has been working closely with Corporate Affairs to develop a new policy strategy for the business following the separation from National Grid Group and the loss of our old electric focused policy objectives. In order to do this, Ned led two policy strategy days with senior leads across the business to brainstorm and develop the strategy. Following this, it was agreed that National Gas will operate the 'hub and spoke model' whereby the business units are responsible for developing their own policy asks, while the hub lead acts as a focal point to coordinate and tie things together.

As a part of this, Ned has developed our '10 Point Plan for energy security and net zero', which is a document detailing our 10 key policy asks, actions needed and dates for when we need them by. The first output from this has been to print these policy objectives onto credit card sized cards and distribute them at the Labour Party conference. Please note that given the ever-changing world of policy, these cards and the plan are intended to be 'live' and by no means fixed, or final.

Our 10 point plan for energy security and net zero

 SECURITY	1. Continue to recognise the value of gas 2. Operate a reliable energy system
 JOBS	3. Protect industry with hydrogen 4. Accelerate carbon capture and storage (CCS)
 INVESTMENT	5. Build a hydrogen backbone 6. Blend hydrogen at scale
 NET ZERO	7. Boost green gas demand 8. Deliver clean power by 2035
 DELIVERY	9. Develop hydrogen storage 10. Support the Future System Operator (FSO)



For more details, please contact [Ned Abbs-Brown](#).

EU Update

The warm temperatures and the emergency measures adopted in 2021/22 are placing the European Union (EU) in a comfortable position ahead of the next winter: storage facilities are [97% full](#) and the gas consumption [has decreased by 13% y-o-y](#) in Q3 2023. In addition, the European Commission is trying to reduce the bloc's exposure to the volatility of a LNG market which represents 42% of EU gas imports in 2023. First, by securing additional gas supplies and volumes. At the beginning of October, a third joint EU purchasing tender of 16bcm has been launched (until March 2024) via the [Aggregate EU](#) mechanism. Second, by accelerating the transition to greener gases, especially hydrogen. Hopefully, EU policymakers will adopt the new market rules for hydrogen by the end of the year (the 'Gas Package') and the Commission

will launch, on 23rd November, a €800 million auction for renewable hydrogen production (the '[Hydrogen Bank](#)').

The Markets Team has maintained a close dialogue with our European partners. National Gas co-organised with ENTSOG the 5th EU-UK gas TSOs Task Force meeting in Brussels last July and is actively preparing the next one, taking place in Belfast on 24th October. Moreover, the North Sea is becoming a growing area of cooperation between the UK and its neighbouring countries. In a difficult geopolitical context, we facilitated, with the support of our Corporate Security Team, a meeting in the Dutch town of Den-Helder at the end of August, bringing public and private organisations (see picture) to enhance cooperation for the protection of offshore pipeline. From a renewable perspective, National Gas is engaged in a dialogue with other gas TSOs from North Sea countries in order to highlight the role hydrogen could play in delivering the offshore energy commitments made last April by North Sea leaders.



What is next? [As announced](#) by President Von der Leyen, the Commission should present a European Wind Power Package by mid-October and an anti-subsidy investigation into electric vehicles coming from China will be launched. The Market Team will continue to have bi- and multi-lateral engagements with European stakeholders and will attend the [European Hydrogen Week](#) at the end of November.

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

Gas Quality Update

GS(M)R Review

One outcome from [Conclusions of the GS\(M\)R Review](#) was a reduction in the lower limit for Wobbe Index from 47.2 MJ/m³ to 46.5 MJ/m³ from April 2025. We intend to bring forward an 'enabling' UNC Modification in Q1 2024 to implement this change in specification at the NTS entry points that wish to adopt it, which we currently envisage will also seek to enable greater transparency that some of our exit stakeholders have requested.

The issue we are currently focused on is the potential for low wobbe gas that could be delivered into Bacton from the UKCS post 2025 to be offtaken by the Bacton interconnectors when on export which could breach the current offtake limits for Wobbe Index. We are working with the Bacton interconnector operators and relevant EU TSOs to try to agree a solution in principle before launching the enabling UNC Modification.

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

NTS Specification for Mercury

Firstly, thank you to those who participated in the recent survey issued in June. After considering all the information available to us, we have determined to leave the guidance limit for mercury at 10 µg/m³ at this time. We believe our obligation in relation to mercury is to comply with GS(M)R in that the gas we transport “shall not contain solid or liquid material which may interfere with the integrity or operation of pipes or any gas appliance.” GS(M)R does not provide a specific limit, so we need to make a judgement call. We recognise that there are different interests and opinions in relation to mercury and our role is to balance these out with our legal obligations. We are satisfied that a guidance limit of 10µg/m³ is a safe level in terms of metalworks and combustion components.

For further information, please contact [Kirsty Appleby](#).

Gemini Sustain Plus

Gemini is a suite of online applications owned by National Gas Transmission and is used in the management of the transportation of gas through the Transmission pipelines. It is a commercial application covering essential gas market processes including Capacity Management, Capacity Trading, Commercial Balancing and Invoicing.

National Gas Transmission, in partnership with Xoserve and Correla, is undertaking a programme of work to significantly modernise and enhance the Gemini Platform. Gemini Sustain Plus will be delivered in September 2024 and will continue to provide current Gemini functionality as well as delivering an enhanced User Interface and new functionality to reflect customer feedback. You can watch a short video [here](#), which outlines the scope of works.

Work on Gemini Sustain Plus is well underway and we have planned a number of engagement activities with our customers. The First Customer Focus Group was held on the 25th September, with the second taking place on 20th November. Please sign up [here](#) if you would like to attend. Regular updates are also provided at Transmission Workgroup.

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

For further information, please contact [Kirsty Appleby](#), or the [Programme Team](#).

Team Members

Over the past month, we have welcomed four new members to our team.

Gavin Williams



Gavin joined the Markets team as a Code Change Lead in September 2023, moving from a leadership role within the education industry where he managed large stakeholder groups and headed change implementation. He has an environmental background including consultancy roles in utilities and construction and has achieved a PhD exploring climate change induced drought impacts. Now in energy market development, Gavin is managing Markets performance data; leading on a UNC modification to reflect the modernisation of communication systems; and supporting with a novel regulatory change process that could rapidly facilitate innovative green gas trials to support Net Zero targets.

Conor McClarin



Conor joined the Commercial Codes Change Team in September 2023 as a Code Change Lead, and has been working on both internal and external projects. Conor is new to the gas industry, having previously held commercial, operations and strategy roles within both the technology and social impact sectors. Prior to this, he held client relationship roles within the media industry. Conor is keen to bring his broad experience to the team as he further develops his knowledge of the gas market.

Liz Ferry



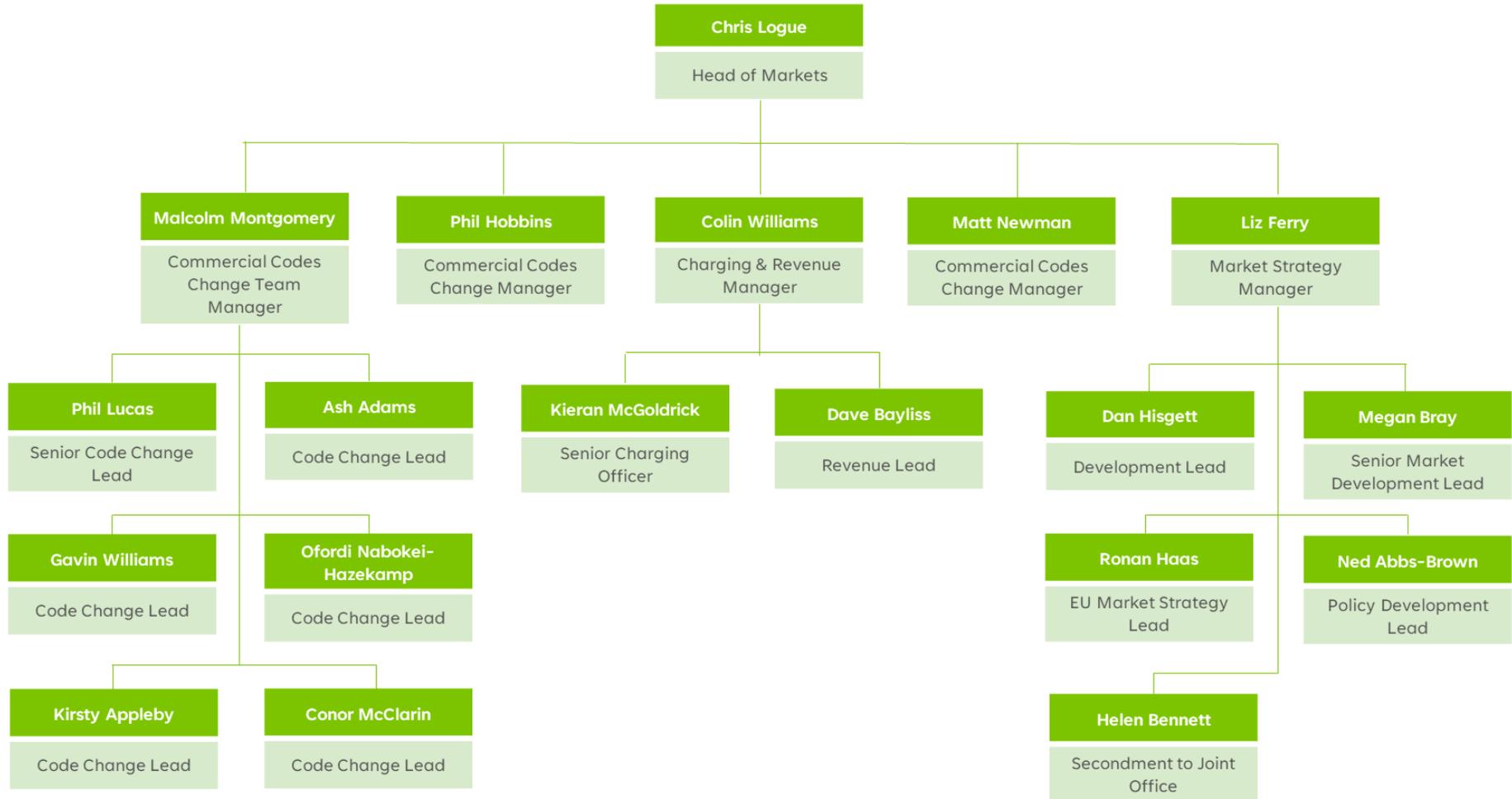
Liz joined the Gas Markets Team in October 2023 as the Market Strategy Manager leading the Market Development Team. Liz's role will coordinate and oversee the delivery and management of the various strategic initiatives and relationships across the UK/EU relating to the future of gas. Liz has been with National Gas, formally Grid, since 2009 and has held a variety of commercial management and development roles within gas metering and electricity interconnection.

Malcolm Montgomery



Malcolm re-joined the Markets department in Oct 2023 as the Commercial Codes Change Team Manager. This follows a one-year secondment to the Department of Energy Security and Net Zero (DESNZ) where he has been supporting the Gas Security Networks & Markets team to shape gas policy for the future. His new responsibilities include management of the Commercial Codes Change Team and being National Gas's representative at UNC Modification Panel. Malcolm has a wealth of experience working in development and implementation of UNC modifications, and some of you will no doubt recognise him from Transmission workgroup and other forums.

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 [Kirsty Appleby](#).