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24 July 2014

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Dear Mr Pototschnig,

After recent informal discussion with ACER, we are writing to you to begin the process of applying for an amendment to the Capacity Allocations mechanisms (CAM) and Balancing (BAL) network codes for natural gas. The aim of the proposed amendment is to permit the UK to keep its existing gas day of 6am-6am UCT and to avoid the significant financial costs, the risks to NBP market liquidity and the disruption to offshore operations associated with changing to 5am-5am UCT on 1 October 2015.

Although the EU network codes developed in accordance with the Third Energy Package apply to downstream networks and markets, the adoption of a harmonised gas day in the CAM and BAL network codes also has a profound direct impact on the UK upstream sector. We believe that the financial costs of compliance in the UK are wholly disproportionate to any possible benefit. Indeed, there is no discernible benefit to any EU consumer of changing the gas day in the UK.

As you will see in the attached submission, the network codes run the significant risk of undermining the integrity and liquidity of the NBP wholesale market. This is a cornerstone of the security of supply not only of the UK but also much of continental Europe. The NBP market is the most liquid wholesale gas market in the EU and is essential to attracting gas and LNG to Europe. It is a paradox that the network codes, which were intended to promote liquidity and trading, may undermine the most liquid market in Europe by creating a new barrier to trade between the UK upstream and the NBP market.

The cross-border trading of gas between the UK and continental Europe via the Interconnector UK (IUK) and BBL pipelines is the most price-responsive anywhere in the EU. This has been achieved with different gas days at each end of the pipelines since their commissioning. We do not believe that the completion of the single market will be affected in any way if the UK keeps its existing gas day. The UK can comply fully with the principles of the Third Energy Package and the spirit and intentions of the EU network codes without changing its gas day. In other words, strict EU-wide harmonisation of the gas day is not necessary for completion of the single market in gas because of the highly-developed and effective operation of the UK's interconnections with adjacent Member States.

We attach to this letter a paper containing our reasoned proposal and, for convenience, a two-page summary of the paper. We include, as requested, a formulation of the proposed amendment. If you require more information and evidence in support of our application, please do not hesitate to contact us.

Yours sincerely

The image shows two handwritten signatures in black ink. The signature on the left is 'Malcolm Webb' and the signature on the right is 'David Cox'. Both are written in a cursive, flowing style.

Malcolm Webb,
CEO Oil & Gas UK

David Cox,
Managing Director, Gas Forum

CC. Rt Hon Edward Davey MP, Secretary of State for Energy and Climate Change
Matthew Hancock MP, Minister of State for Business and Energy
Klaus-Dieter Borchardt, Director, Internal Energy Market, European Commission
Dermot Nolan, Chief Executive, Ofgem
Mike Calviou, Director, Transmission Network Service, National Grid
Sean Waring, Managing Director, Interconnector UK
Gerard van Pijkeren, Managing Director, BBL Company
Aidan O'Sullivan, General Manager, Gaslink
Padraic O'Connell, Bord Gais Networks



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