



# Future of Gas Steering Group Webinar

Friday 19<sup>th</sup> July 2024

ESO

## Presenters and Housekeeping

-  Matt Magill
-  Vicki Mustard
-  Sakhi Choudry

- Duration
- Speakers
  - Matt Magill, Acting Director of Markets
  - Vicki Mustard, Gas & Whole Energy Market Development Manager
  - Sakhi Choudry, Gas Market Strategy Manager
- Webinar Set-up
- Questions / Comments
- Recording

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## Agenda and Timings

Welcome and Housekeeping	10.00 – 10.10	Vicki Mustard
NESO Introduction	10.10 – 10.30	Matt Magill
What we have done so far and what you would like to hear more about	10.30 – 10.45	Sakhi Choudry
Potential focus areas for FutureGMAP Projects	10.45 – 11.00	Sakhi Choudry
New proposed structure	11.00 – 11.30	Vicki Mustard
Gas Market team updates	11.30 – 11.40	Sakhi Choudry
Discussion	11.40 – 12.00	Vicki Mustard
Q&A and Next Steps	12.00 – 12.30	Vicki Mustard

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## NESO Introduction



### Establishment of the National Energy System Operator

As part of the plan to decarbonise Great Britain, the current Electricity System Operator (ESO) will transition to the National Energy System Operator (NESO) in 2024.

The enhancement of the FES 2024 framework forms part of this wider industry overhaul, with our modelling and analysis used as a key input in various strategic network planning processes, outlined over the following three pages.

#### The National Energy System Operator's roles

NESO will have a primary duty to act in the manner it considers best to promote net zero, energy security and efficiency and economy. The roles and responsibilities of the new organisation will include:

- Whole energy network planning – Strategic Spatial Energy Plan (SSEP) and Regional Energy Strategic Planner (RESPI)
- Whole energy system coordination role for improving security and resilience of gas and electricity systems
- Onshore electricity network competition
- Whole energy market development
- Provision of independent advice to Ofgem and UK Government.

Crucial to its responsibilities, NESO will consider the effect of its activities on customers and local communities, competition in the energy sector, the whole energy system and on the facilitation of innovation.

	Day 1	Full ambition
<b>STRATEGIC PLANNING</b>	Plan gas and electricity networks	Provide whole system view of the energy sector
<b>MARKET DEVELOPMENT</b>	Support Department for Energy Security and Net Zero (DESNZ) with market development across gas and electricity	Advise on whole energy market strategy
<b>RESILIENCE</b>	Identify gaps, risks, interactions and opportunities within a whole system	Coordinate emergency response
<b>SECURITY OF SUPPLY</b>	Enable electricity security of supply and advise on gas security of supply	Enable security of supply across Great Britain's whole energy system
<b>NET ZERO ENERGY INSIGHTS</b>	Deliver energy insights and advice to Government	Advisory grows into new vectors

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Matt outlined an introduction to NESO. NESO's launch was delayed from July to autumn due to the General Election. NESO will be independent, government-owned, but regulated by OFGEM, focusing on whole system energy approaches, including future gas considerations. Matt discussed key roles and the importance of resilience and emergency management for the energy sector. The Future Energy Scenarios (now pathways) were launched, presenting four potential energy system developments. Matt highlighted the Government's swift actions post-election, particularly around making a swift start on decarbonising the energy sector, and the task for NESO to develop a plan for the 2030 Clean Power ambition.

A question was raised about the specific month for NESO's autumn launch. Matt's response indicated it is expected to be in Autumn.

Another question was raised about inputting into Clean Power 2030 and who to contact. Matt's response was to reach out to Vicki Mustard and team, as they are developing a plan and will continue to be the points of contact for input.

A question was asked about the deadline for Clean Power 2030. While the exact scope is still being defined, it's likely to be completed this year.

There was also a query about the start of work on the Strategic Spatial Energy Plan (SSEP). Matt clarified that formal work would likely begin in autumn, and there is an emphasis on ensuring coordination with ongoing 2050 goals.

The importance of having clear points of contact within NESO was emphasised, to streamline communication and engagement on various projects, including regional energy system planning (RESP). Further questions about timelines and regional engagements were acknowledged, with a commitment to provide more details as plans develop.



### What we have done so far...



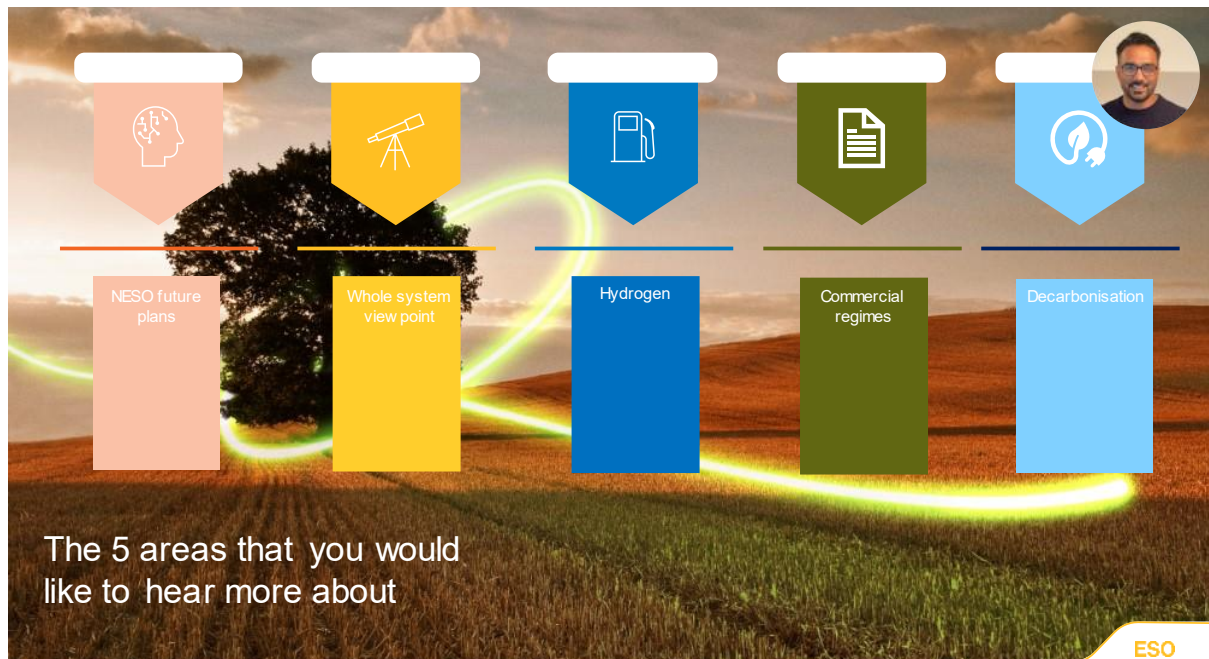
Sakhi provided a recap of some of our work, which may not have been clear or known to everyone, to show we have been actively engaged and working hard to understand the dynamics of the gas market.

Thanks were provided to National Gas Transmission (NGT) for helping us understand our new role, building on the great work they have done. Sakhi commented that we have had many meetings with NGT to grasp the dynamics, key topics, themes, and agendas. And we are continuing this engagement up until our formal takeover, later this year.

Sakhi discussed that we have also been engaging individually with many of you to understand your perspectives and roles better. Additionally, we have been planning what the new Future of Gas Steering Group should look like, making changes based on feedback, for improvement.

Key themes from our engagements include stimulating new vectors like hydrogen and biomethane, and the critical discussions around decommissioning and repurposing assets. We've been attending

various workgroups and industry forums to dive deeper into these issues and understand the current and future dynamics of the gas market.



Sakhi then moved on to key themes identified from our one-on-one sessions with current steering group members. We've pinpointed five main themes:

1. NESO's Future Plans: The need to understand NESO's direction and immediate plans, like Clean Power 2030.
2. Whole System Coordination: Understanding how gas and electricity will be coordinated, managing the transition to an electrified future, and ensuring system resilience.
3. Hydrogen: Flexibility of the current network for hydrogen, necessary asset and market framework changes, and stimulating the hydrogen economy through legislative and code changes.
4. Commercial Regimes: Managing the current UNC, potential impacts with hydrogen, and aligning UK policies with the EU.
5. Decarbonisation: Emphasising gas's role in the transition, engaging in open debates on decarbonisation costs and ensuring flexibility.

Sakhi mentioned that there is also focus on internal education within ESO to elevate the understanding of gas and the role that it plays.

A comment raised additional points, including infrastructure repurposing and decommissioning, geographical considerations of NESO's offshore remit, the importance of skills and supply chain excellence, and the role of Mission Control in coordinating these efforts.

In response, it was acknowledged that skills and supply chain are crucial and will be integrated into our planning. Infrastructure topics will feed into the work of strategic energy planners, ensuring thorough engagement and updates.

Further engagement with skills organisations, particularly in relation to engineering and construction sectors, was also discussed, highlighting the importance of collaboration with bodies like the Engineering Construction Industry Training Board (ECITB).

A question was asked regarding NESO's interaction with Great British Energy (GBE). The interaction between NESO and GBE is still being determined. Current efforts include figuring out the specifics and ensuring relevant conversations are happening. Further updates will be provided as more information becomes available.

Additional points discussed were, as follows:

- The importance of regional views in the decarbonisation process and how various industries, including sectors like the whisky and fishing industries in Scotland, are being considered.
- The need for industry-specific representation and ensuring that the whole supply chain, including metering and implementation skills, are addressed in decarbonisation plans.
- Engagement with broader consumer groups, including small and medium-sized businesses, and domestic consumers, is crucial. Partnerships with organisations like Citizens Advice and fuel banks are being leveraged to understand and communicate the impacts of decarbonisation on consumers.
- There is an ongoing effort to engage with various industry groups and stakeholders to ensure comprehensive representation and input in the decarbonisation process.

### Potential focus areas for Future GMAP Projects



Sakhi discussed potential GMAP projects.

Sakhi highlighted Hydrogen, Biomethane and CCUS and the appreciation of their roles in the whole energy system. He also discussed repurposing, and the consideration of the timing and process for repurposing sections of the gas network(s). The exploration of hybrid technologies and the potential of hybrid heating systems in the energy transition. Demand-Side Response is another consideration for a GMAP project and how we will manage future energy demand with intermittent primary energy sources. Finally, the impact of Clean Power 2030. This has recently emerged as a priority topic for

investigation, requiring the team's focus and further discussion with the Future of Gas Steering Group. The team is in the initial stages of defining the right questions and understanding the policy landscape and viewpoints across the entire supply chain, from production to final consumption.

Sakhi highlighted the importance of integrated efforts across different teams and ensuring that market frameworks support infrastructure development. As well as the acknowledgement of the need to consider global market interactions for economic growth and energy security.

Next steps are the development of a collaborative framework; establishing advisory councils and forums to ensure comprehensive stakeholder engagement and integrated market planning. Also, the focus on long term goals, ensuring that short-term decisions align with long-term objectives, including the 2050 net-zero target.

	Gas Market Advisory Council (GMAC)	Whole Energy Markets Advisory Council (WEMAC)	Whole Energy Markets Forum
<b>Cadence</b>	Quarterly		
<b>Representation</b>	Gas market wide representation	Cross industry representation	N/A
<b>Chair</b>	Independent chair (not NESO)		N/A
<b>Potential purpose</b>	Embed stakeholder perspectives and international best practice in NESO's market design thinking. Provide input on our priorities and plans across vectors to ensure alignment. Provide members with an opportunity to collaborate and share relevant information across vectors.		
<b>Time horizon</b>	1-25 years (2050)	2-25 years (2050)	2-25 years (2050)
<b>Decision making power</b>	The group will have no formal decision making power, but members will be able to take forward proposals to bodies with formal decisionmaking power as appropriate. Members encouraged to present information on strategic gas market topics that are of relevance to the group.		N/A
<b>Topics</b>	Consider whole market / cross vector topics (e.g. Regional Energy Strategic Planning (RESP), Strategic Spatial Energy Plan (SSEP), Centralised Strategic Network Planning (CNSP), pricing, market mechanisms / frameworks, fundamentals etc.) and the impacts on gas and whole energy markets.		
<b>Escalation of risks</b>	Identify risks / opportunities across vectors to discuss / escalate to the Whole Energy Market Advisory Council	Identify risks / opportunities across vectors.	N/A
<b>Potential outputs</b>	<ul style="list-style-type: none"> <li>Discussion topic summaries.</li> <li>Identified potential GMAP projects for industry and NESO (from insights from the Whole Energy Markets Forum) to progress.</li> </ul>	<ul style="list-style-type: none"> <li>Recommendations for Government policy / market frameworks.</li> <li>Discussion topic summaries.</li> <li>Identified potential projects for industry and NESO (via GMAC and EMAC) to progress through the GMAP and WEMAP processes.</li> </ul>	<ul style="list-style-type: none"> <li>Recommendations / considerations for Government policy / market frameworks.</li> <li>Discussion topic summaries.</li> <li>Identified key insights / themes for further analysis.</li> </ul>



New proposed structure

Vicki took everyone through the new proposed structure.

A summary of the key points from the conversation are:

The Whole Energy Markets Forum:

- This will be an open forum for anyone interested in attending.
- It will include sessions focused on gas and electricity, culminating in a discussion that integrates both areas.

The Gas Market Advisory Council (GMAC):

- This council will focus specifically on gas issues.
- It will operate independently of the ESO (Electricity System Operator).

The Electricity Market Advisory Council (EMAC):

- Similar to the gas council but focused on electricity.

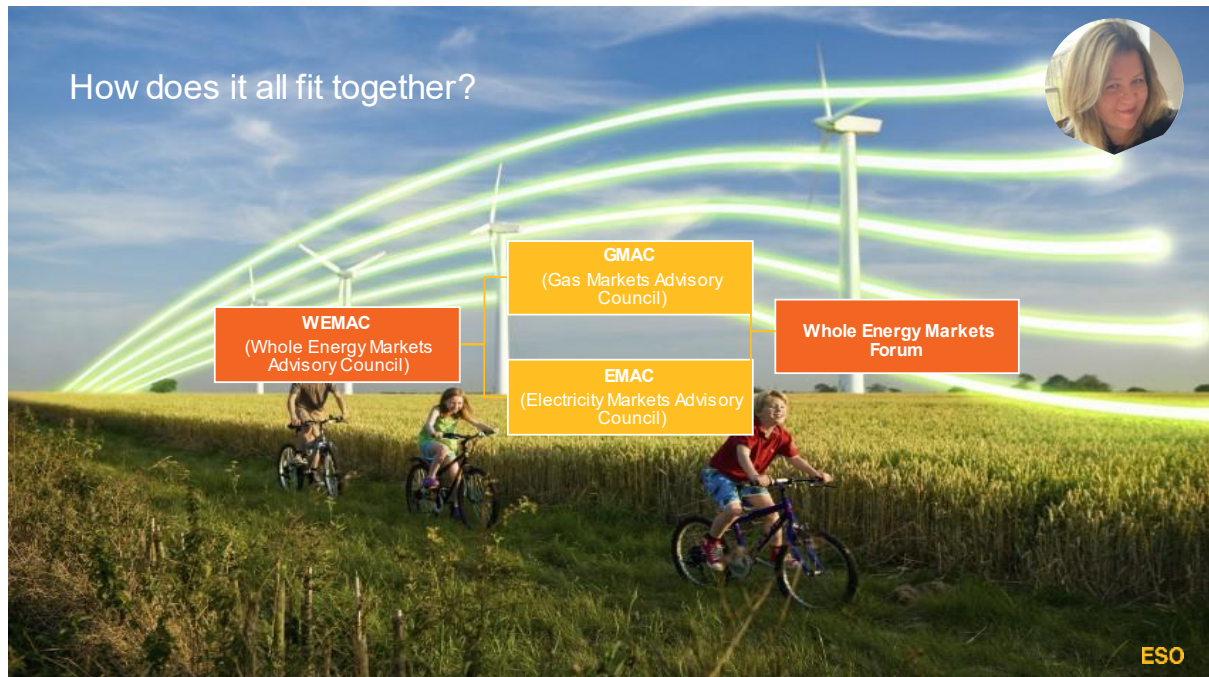
The Whole Energy Markets Advisory Council (WEMAC):

- This council will integrate insights from both the gas and electricity councils.

- It aims to include broader perspectives, such as consumer representation and IT/technology insights.

The councils will help ensure data transparency and accountability. Outputs from the councils could lead to code changes, regulatory updates, or new legislative requirements. There will be a focus on ensuring that the discussions and recommendations lead to actionable outcomes and not just theoretical discussions. The councils will require input from industry experts and stakeholders. Some actions may fall on industry participants rather than NESO.

Overall, the approach aims to enhance transparency, accountability, and actionable outcomes by integrating various perspectives and ensuring that recommendations are effectively implemented.



The discussion then moved to the composition of the Gas Market Advisory Council, focusing on who should be involved. Vicki emphasised the need for a balanced representation that includes different perspectives such as consumer, technical, and operational views, but stressed that the Council should not be overly large.

Several participants contributed to the discussion. There was a suggestion for the need for diverse perspectives rather than deep technical expertise, distinguishing between domestic and industrial consumers. The concept of the Advisory Council was likened to a board of directors, and it was recommended that there should be an inclusion of representatives from code management, regulatory bodies, and operational sectors. The importance of independence was highlighted and noted that the role of code managers should be carefully considered to avoid conflicts of interest. It was also emphasised that there is a need for a selective and impartial membership to ensure high-quality advice.

A point was raised about government involvement and suggestion of a further discussion on the role of government representatives in the forum, potentially limiting their involvement to avoid bias in decision-making.

A summary of the key points from the discussion are:

Representation Considerations:

- Technical Expertise: Ensure representation covers key technical areas such as CCUS and clean power systems.
- Balance: Maintain a mix of independent representatives and industry groups, with entities like Regen and Energy UK providing a balance between technical expertise and industry perspective.
- Regional Representation: Include representatives from different regions and governments, ensuring diverse geographical perspectives.

**Inclusion of Diverse Stakeholders:**

- Networks and Industry: Consider how to include distribution networks despite their varied perspectives. A possible approach is rotating representation among different networks or ensuring comprehensive coverage through working groups.
- Innovation and Research: Engage with bodies like the Carbon Capture and Storage Association, North Sea Transition Authority, and relevant ports to address emerging areas and innovation.

**Chair and Governance:**

- Independent Chair: Explore options for an independent chair. Vicki proposed creating a shortlist and seeking feedback from the group on potential candidates.
- Process: Consider an internal NESO process to select the chair while ensuring transparency and collective input from the council.

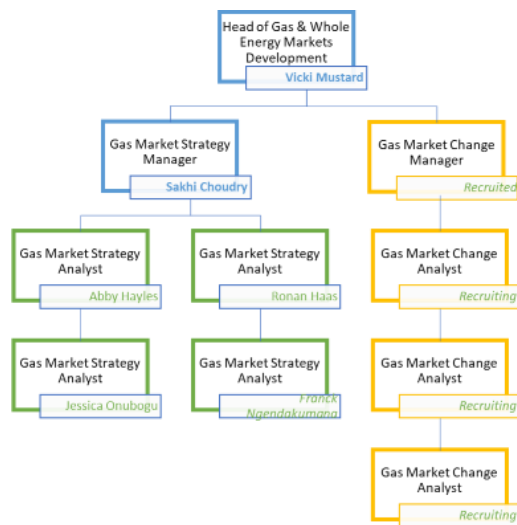
**Engagement and Output:**

- Action-Oriented: Shift focus from mere updates to actionable outcomes and decisions, making participation more valuable and engaging.
- Diverse Expertise: Ensure the council includes experts across various sectors, including academic, industry, and infrastructure.

**Further Actions:**

- Organisational vs. Individual Representation: Explore whether representation should be organisational rather than individual, to maintain continuity and broader input.
- Supply Chain Input: Consider including representatives from the supply chain involved in deploying equipment and infrastructure for a comprehensive perspective on projects like CCUS and hydrogen.

## The Gas Market Strategy & Gas Market Change Team





An updated view of the Gas Market Strategy and Gas Market Change Team was provided.

## Next Steps



- Continued engagement over the coming months
- Next Whole Energy Markets Forum - Autumn 2024
- Further development and establishment of the GMAC (Autumn '24)



The end of the session focused on the need for balanced representation, effective governance, and actionable outcomes in the advisory council's structure and operations. Overall, the discussion centred on ensuring the Advisory Council has the right mix of expertise and representation to effectively provide strategic guidance and feedback.

### Actionable Items:

- ESO to further refine ToR (Terms of Reference) and present back to the group.
- ESO to consider future membership of the GMAC (Gas Market Advisory Council) with feedback from current Future of Gas Steering group members to be given between now and the next planned session (next session is currently TBC).
- ESO to develop a potential methodology to treat specific topics within the GMAC.