



Gas Forum Membership

Foreword – David Faragher ~ Chair of the Gas Forum

As the Chairman of this association, I would like to introduce our organisation. You will find enclosed a summary of the key benefits of membership of the Gas Forum. The Gas Forum has been the main representation association for the UK gas industry since 1994. In the last year it has been enhancing its service offerings and has been able to significantly increase the benefit package it offers its customers while keeping the membership costs at the same level.

The Gas Forum has built on its reputation as a trusted industry partner and is extending its influencing and advocacy roles. For example it is promoting a unified UK voice in the European and National debates around Security of Supply. The Gas Forum has recognised the importance of promoting the UK Gas Industry as an experienced and trusted source of energy. It believes that the UK Gas Industry has delivered major successes over the last few years, a period in which GB has moved from being a net exporter to a net importer of gas. The Gas Forum has therefore engaged an official spokesperson, to communicate our key successes, challenges and messages to key stakeholders both public and private.

The Gas Forum has also improved the quality of our administration service provider by introducing a new contract with a new improved Service Level Agreement. We periodically review the work of our various sub groups and from time to time also engage ad hoc consultancy to support specific areas of work.

The last thing I would like to highlight is that we are a lean and flexible organisation that prides itself on listening to all our members (large or small) concerns and feedback.

Do not hesitate to contact the Gas Forum or myself if you want to have further details on the work of the Forum.

Regards,

David Faragher

Background

The Gas Forum was established in 1994, acting as a body that represents the views of Gas Shippers and Suppliers active in the GB Market. The Forum now counts among its membership virtually every significant GB gas shipper and gas supplier. The Gas Forum is now a substantial body, respected and consulted regularly by the Department of Energy and Climate Change, Ofgem, National Grid and others. The Gas Forum offers numerous benefits and services to companies either already active (or planning to participate) in the downstream gas industry.

The Gas Forum prides itself on the fact that it not only encompasses the larger players in the gas market but also includes amongst its membership smaller players ensuring that all voices are heard and therefore represented to both the Regulator and Government bodies.

Driving Industry Reform

At regular members' meetings, and through the wide range of workgroups*, the Forum's aim is to get quickly to the heart of issues that affect the industry, both now and in the future. It seeks to provide an invaluable opportunity to share opinions and exchange views with industry peers whilst complying with Competition Law. The Forum currently operates Transmission Shipper, Distribution Supplier, and I&C Code of Practice workgroups, along with the Executive Committee.

At the various sub group meetings the Forum often invite key industry stakeholders to attend in order to discuss a wide range of issues. Previous stakeholders have included Senior Partners from Ofgem, Directors of National Grid and Directors of DECC. This ensures that key issues and areas of concern are debated with decision makers and policy makers, in order to guarantee that our major concerns are addressed in the most appropriate manner.

In addition to this, the Forum convenes special ad hoc groups in response to arising issues – examples of which include the Renewable Heat Incentive Scheme (RHI), Independent Gas Transporter (iGT) issues (including new connection and metering), and individual UNC Modification proposals.

In the past year the Forum has informed debate and responded to several industry consultations. The Forum has also submitted its position on key issues, examples of the topics that the Forum have responded to/submitted positions on can be seen below:

- Project Discovery
- Ofgem's Proposals on National Grid's SO Incentives
- Ofgem's Transmission Price Control Review (TPCR5)
- Fleetwood NTS Entry point
- User Pays Process
- Ofgem's CCS Consultation
- Exit reforms
- Electricity Market Reform
- Security of Supply Significant Code Review

Gas Forum Position Statements

A summary of the Gas Forum's position on five key areas are covered below, these help formulate the policy of the Forum and set out the key messages that the Forum align to.*

*note these are extracts from five positioning papers which can be found on the 'opinion' area of the Gas Forum website:

Competition is working in Gas

Key messages

- Competition in the GB wholesale gas market works well.
- The Gas Forum believes entry-exit regime with NBP (virtual hub) trading is a key success of the GB regime.
- Investment in storage LNG import terminals and interconnectors has been aided by the relatively light touch regulatory regime.

Gas is Part of our Green Future

Key messages

- Relative to other sources of flexibility in the electricity generation market gas could be considered green. Gas has essential role to play in delivering low/zero carbon economy, it is the cleanest of all fossil fuels and is abundant.
- Bio-methane offers unique opportunity to decarbonise gas. Recent study concluded bio-methane could provide up to 6% of UK natural gas market (15% of total domestic demand) under a conservative scenario, and up to 18% at stretch (48% of domestic demand) if new process technology proves successful.
- Demand side initiatives such as CRC and Smart Metering will reduce the use of gas in retail markets

Gas Industry Governance

Key messages

- The Gas Forum believes that the regulatory approach to date, ie. light touch with intervention by the regulator kept to a minimum, has been a significant contributory factor in producing the most competitive gas market in Europe. We would therefore be concerned with any departure from such an approach
- The Gas Forum does not believe that Ofgem should be attempting to set energy policy – some of its interventions in the Codes could be seen as setting policy – eg the reform of entry capacity (which makes it difficult to bring gas to the UK) and exit capacity (which is about to remove the interruptions regime)
- The Gas Forum has grave concerns about Ofgem deciding that it is judge and jury with respect to Significant Code Reviews (SCR)

Britain's Energy Security Depends on Reliable Gas Supplies

Key messages

- The current relatively 'light touch' regulatory regime for storage, liquid natural gas (LNG) terminals and interconnectors has successfully encouraged significant investment to meet GB gas demand. More storage capacity and other reliable flexible sources of gas supply will be required as Britain's imports increase over the next decade.
- Government and regulatory authorities should seek to foster a stable investment environment, one in which market participants can be confident that the competitive gas market will be allowed to work without undue interference. Fiscal policies should encourage production from UK Continental Shelf (UKCS) fields.
- Achieve this and the market will continue to deliver the extra North Sea investment, storage and import capacity to deliver secure and reliable gas supplies from anywhere in the world. More prescriptive regulation (e.g. introduction of storage licences and fewer third party access (TPA) exemptions) and frequent, poorly targeted interventions will increase regulatory uncertainty and dent investor confidence in GB.

Delivering competitive gas markets across Europe

Key Messages

- Policies should focus on removing physical, contractual or market impediments that might otherwise limit gas being brought to the GB market.
- The Gas Forum supports the aims of the 3rd Package, Regulation 715/2009. It believes that the development of a single market will be best achieved through active involvement of network users in its implementation (e.g. in relation to framework guidelines (FGs) and European network codes (NCs))
- We wish to see the establishment of common market arrangements where this is possible and where there is not sufficient compatibility an alignment of rules in adjacent markets to facilitate efficient cross-border trade.

Additional benefits of membership

Gas Forum Training Events

The Gas Forum started (in March 2010) to drive forward a program of training events that is open to all Gas Forum members. These training days encompass a number of topics ranging from an Introduction to the Network Code through to an overview of Smart Metering in the UK.

The events are currently open to employees of member companies that are either new to the gas market or wish to increase their knowledge on a specific area. Experts in their field are invited to present on specific topics and the attendees also have the opportunity to submit questions to the presenters.

The feedback from these events have been extremely positive and attendees have commented that the format of the day is unique in that it gives a generic overview of the UK gas market whilst allowing attendees the opportunity to engage and network with other organisations.

Annual Gas Forum Luncheon

Since its inception the Gas Forum has hosted an annual luncheon attended by over 200 industry players including Ofgem, DECC, AEP, Consumer Focus, National Grid as well as representatives from all member companies. At the last event, in March 2011, Meg Hillier (Shadow Secretary for Energy and Climate Change) was the key speaker and spoke about Labour Energy policy and issues of key (current) concern to the industry.

The event provides attendees with a unique opportunity to network with a wide range of industry players and allows members to engage with key industry stakeholders in an informal setting. The event has evolved into a key date in the industry calendar and is often oversubscribed.

Administration of the Gas Forum

The Gas Forum's service provider is Gemserv, who provide the role of Secretariat. The Secretariat administers and facilitates all the meetings of the Forum's various sub groups. This includes the hosting of the majority of the meetings, the writing of the agendas and minutes as well as the dissemination (to Gas Forum members) of all material relating to the work of the Groups.

The Secretariat also manages the administration of the Forum's accounts and is the conduit through which all communication (both verbal and written) is handled. A dedicated phone line is maintained to ensure all queries and requests are handled through one source.

**detailed information regarding the structure and work of the Gas Forum sub groups can be found later in this document*

Gas Forum - Current Membership*

- BP Gas Marketing Ltd
- Centrica
- BG Group
- Corona Energy
- Shell
- EDF Energy
- Statoil
- Scottish Power
- EON
- Total
- GDF SUEZ Energy UK
- Npower
- ExxonMobil

*(as at 7th October 2011)

Gas Forum – Work Groups

Gas Forum Executive Chair - David Faragher - Chair of the Gas Forum

The Executive Committee ensures that all administrative matters of the Gas Forum, including management of its statutory accounts are managed in accordance with Company Law. The Executive discusses the work of the sub groups and decides on policy and strategy for the Forum going forward, this includes areas where the Forum should submit responses/positioning on.

Meeting regularity - Monthly

Gas Forum Transmission Shipper Group Chair - Richard Fairholme

The Shipper Group meets to discuss areas that are relevant to the Shipping community, areas of recent debate have included National Grid's SO Incentives, the NTS Fleetwood entry point, the Transmission Price Control and the Entry Charging Review. The Workgroup have submitted several responses on behalf of the Forum and these have included a response to Ofgem's decision on NG's SO incentives, and the NTS Fleetwood entry point. The Group also meets with Ofgem (at Senior Partner level) on a quarterly basis to discuss various issues.

Meeting regularity - Monthly

Gas Forum Distribution Supplier Group Chair - Colette Baldwin

The Suppliers Group meets to discuss areas that are pertinent to gas Suppliers, areas of recent debate include independent Gas Transporter (iGT) issues, metering issues and the Renewable Heat Incentive (RHI) Scheme. The Group have supported the industry in tackling issues relating to specific concerns by engaging with key stakeholders including the Association of independent Gas Transporters (AiGT) and also hold a quarterly forum with Ofgem.

Meeting regularity - Bi monthly

Industrial and Commercial Code of Practice Group Chair - Darren Lindsay

The Gas Forum administers and maintains the Industrial and Commercial Code of Practice on behalf of the gas industry. The primary aim of the Code is to address only Supplier to Supplier, and Supplier to Shipper and Shipper to Shipper issues within the Industrial and Commercial gas market. It aims to achieve consistency across core processes and to provide guidelines to enable the seamless transfer of supply points. Although the code is administered by the Gas Forum, non Forum members are also signatories to the code.

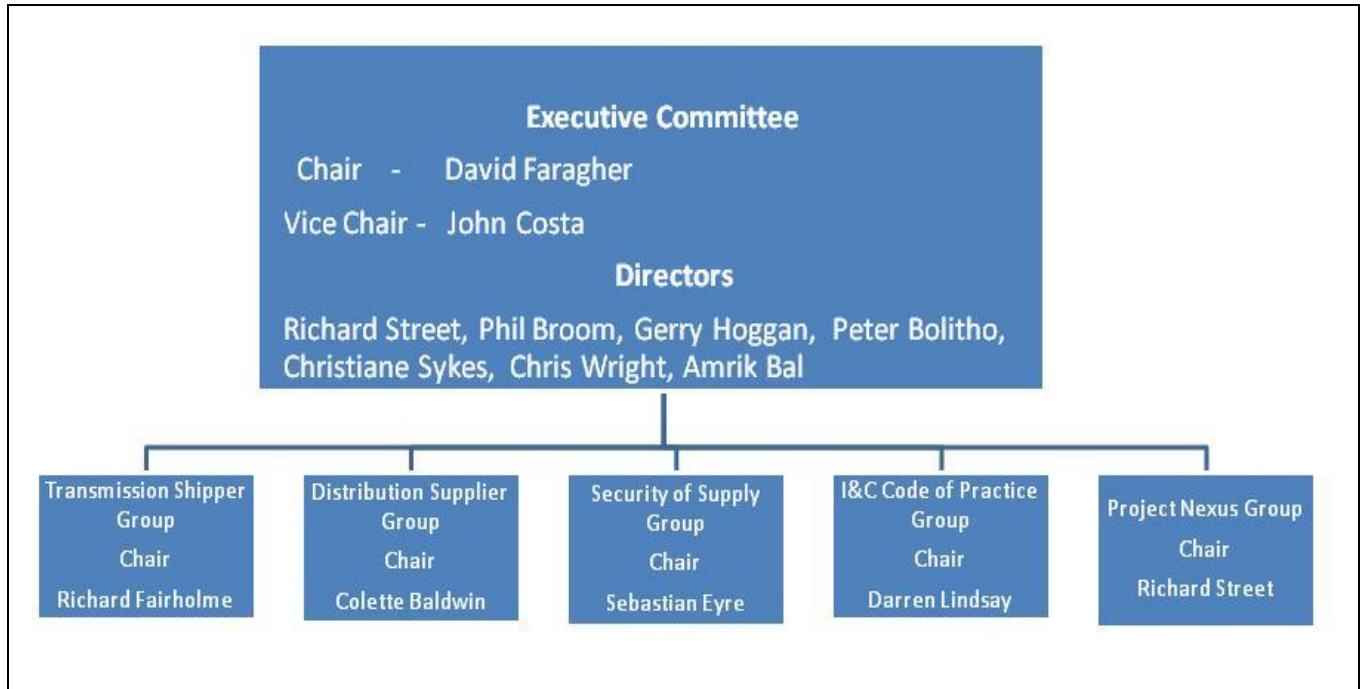
Meeting regularity - Quarterly

Gas Forum Project Nexus Group Chair - Richard Street

The Project Nexus Group debates issues that arise out of the industry discussions relating to Project Nexus, including the scope and requirements. The Group have also dealt with issues that arise out of the overlap between Project Nexus and the evolution of Smart Metering.

Meeting regularity - Quarterly (dependant on timetable of Project Nexus)

Structure of Groups



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