

CCS Network Code: consultation engagement seminar

15 January 2024

Disclaimer

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Welcome Information

15 January 2024

Consultation engagement aims and agenda

Following December's CCSA/DESNZ Code Recap Event, the programme of engagement will follow a timetable of focused sessions.

Aims – Focused sessions will provide an opportunity for discussion and Q&A around key topics, to support engagement with the consultation on the CCS Network Code by:

- familiarising interested parties with core concepts and their underpinning rationale;
- allowing dialogue and verbal feedback in advance of receiving written consultation responses.

Date	Seminar	Topics
15/01/2024	Seminar 1	<ul style="list-style-type: none">• Introduction• Background, Section A and Ancillary Agreements• Section B: Governance
17/01/2024	Seminar 2	<ul style="list-style-type: none">• Section C: Connection• Section E: Network Use and Capacity (Maintenance)• Section G: Industrial Procedures
23/01/2024	Seminar 3	<ul style="list-style-type: none">• Section E: Network Use and Capacity (Capacity and nomination)• Section E: Network Use and Capacity (Capacity constraints)
24/01/2024	Seminar 4	<ul style="list-style-type: none">• Section D: Network Structure and Planning• Section H: Charges, Invoicing and Payment
30/01/2024	Seminar 5	<ul style="list-style-type: none">• Section F: Network Design and Specification (Metering)• Section F: Network Design and Specification (CO2 reuse)• Section I: Data (incl. the CDS)
31/01/2024	Seminar 6	<ul style="list-style-type: none">• Section J: General (incl. Liabilities and Section E security provisions)• Further content TBC

Today's agenda

Time	Item	Lead(s)	Duration
14:00	Introduction	Paul Freeman, DESNZ	10 minutes
14:10	Background, Section A and Ancillary Agreements	Philip Vernon/Justyna Bremen, Ashurst	50 minutes
15:00	Section B: Governance	Sam Blackaby, Ofgem and Jennifer Bernechea, DESNZ	1 hour

Meeting etiquette

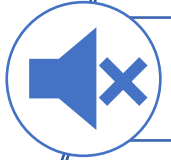
To ensure all attendees can participate equally in this online meeting, please remember to:



Raise hands when wanting to speak.



Speak clearly and introduce yourself/your organisation.



Mute and turn off your camera when not speaking to avoid background noise and connectivity issues.



Use chat to flag points for group discussion but avoid parallel/divergent conversations.

This meeting will be transcribed so that opinions/feedback provided can inform future Code development and the Government's consultation response.

The presentation materials will be shared publicly via the CCSA.

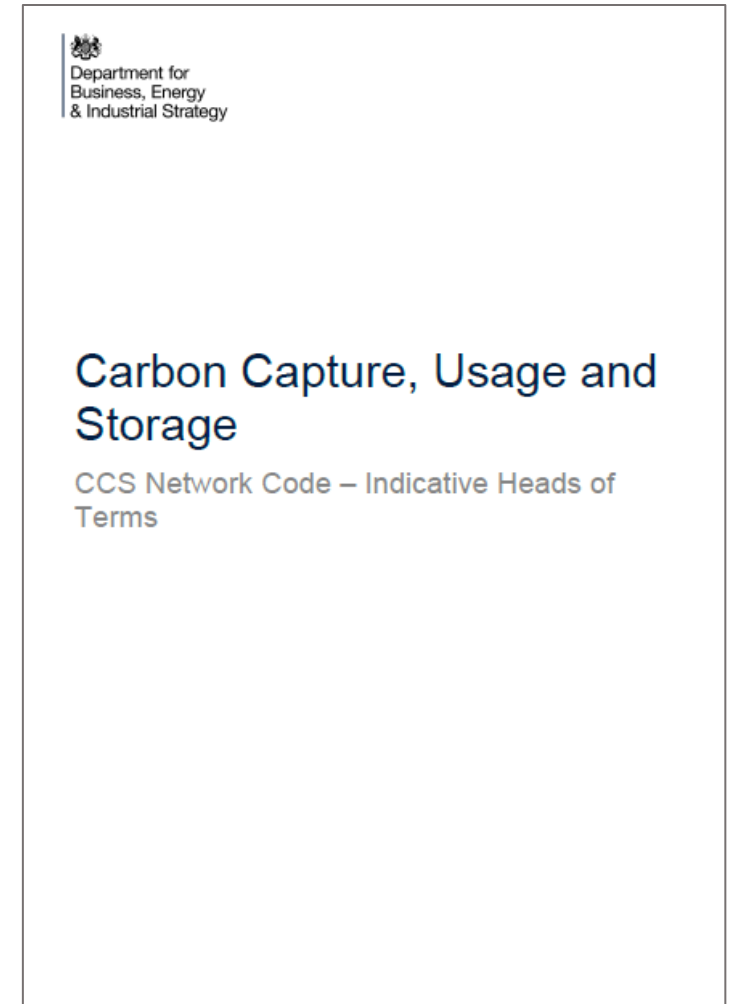
Policy context

The CCS Network Code

The Energy Act (2023) enables government to grant economic licences to the UK's first CO₂ T&S Network operators.

The conditions of this licence will require licensees to maintain and administer a network code ('the Code').

The Code sets out commercial, operational and technical arrangements that will apply between Transport & Storage Companies (T&SCos) and network users (Users) for the use of a T&S Network. It is a key component of the business model and regulatory regime for the CCUS sector.



Development of the CCS Network Code

Development of the Code aims to provide the clarity required for delivery partners to invest in early projects whilst balancing the needs of government, current and future Users and T&SCos, and other interested parties.

Three key themes have been central to the development of the Code:

Collaborative Approach

- Government is working collaboratively with (i) advisors, (ii) regulators and (iii) industry groups, integrating diverse viewpoints and expertise to develop a holistic, fit for purpose Code.

Single Network Code

- A single Code will apply across different T&S Networks. This will allow for expedient development and sharing of learning, which is expected to facilitate expansion and accommodate potential future interconnection of T&S Networks.
- The Code is structured in anticipation of future networks incorporating non-pipeline transport (e.g. shipped CO₂).

Minimum Viable Product


- The Code must be sufficient to support the Financial Investment Decisions (FID) of Track-1 T&SCos and Users, whilst recognising the challenge that additional complexity at this stage would bring.
- It seeks to include features critical for early investment decisions and establish architecture/concepts to enable early expansion and diversification, whilst deferring other features to be introduced later through Code modification.

Consultation and future development timeline

The consultation on the CCS Network Code was launched on **1 December 2023** and will remain open until **16 February 2024**.

We expect it will be of particular interest to investors and developers involved in planned or potential CCUS projects. However, any organisation or individual is welcome to respond.

Following the consultation, Code development will continue in accordance with the indicative timeline below.



Home > Environment > Energy infrastructure > Low carbon technologies

Open consultation
**Carbon capture and storage (CCS)
Network Code: updated Heads of
Terms**

From: [Department for Energy Security and Net Zero](#)
Published 1 December 2023

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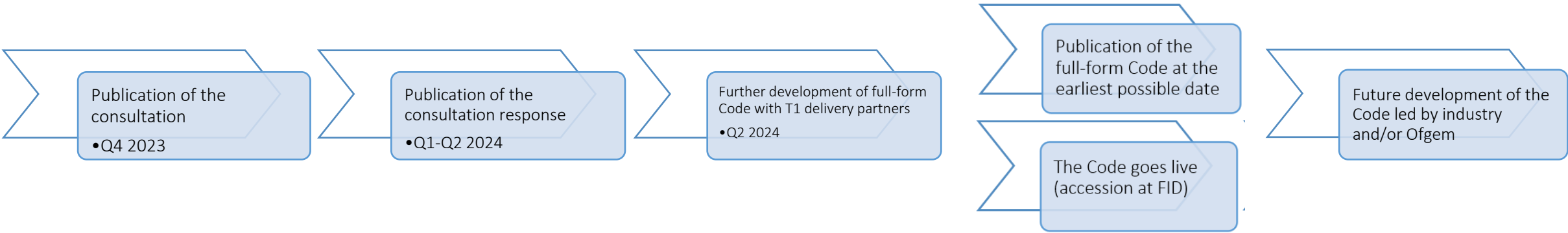
Summary

We're seeking views on the CCS Network Code, part of the new regulatory regime describing arrangements between CO2 network users and transport and storage companies.

This consultation closes at
11:59pm on 16 February 2024

Consultation description

This consultation seeks views on the proposed Heads of Terms for the CCS Network Code, which is critical to the operation of carbon dioxide Transport and Storage Networks as it is the commercial interface between network users and operators.



Thank you

For additional information or queries, please contact:
codes.engagement@energysecurity.gov.uk

CCS Network Code

Background, Section A and Ancillary Agreements

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Agenda

- 1. Background to the Code**
- 2. Section A: Introduction, Structure and Interpretation**
- 3. Ancillary Agreements: Construction Agreement and Connection Agreement**

1. Background to the Code

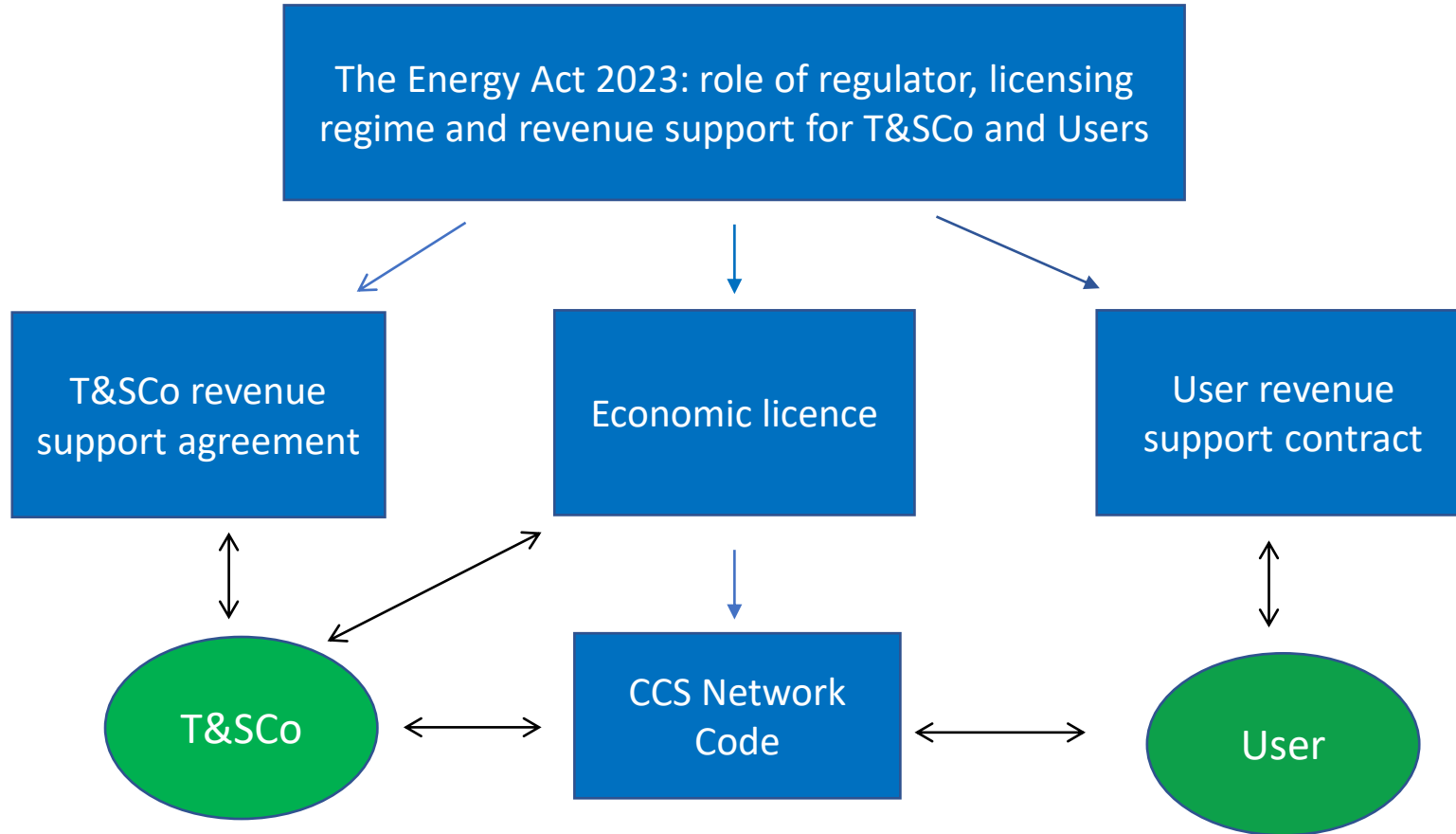
1. Background to the Code

1.1 What are we trying to achieve?

Structure	CCS Network Code is key component of regulatory architecture
Timeline	CCS Network Code to be in place for Track 1 Cluster FID
Scale	Equivalent for Gas network (UNC) 2000+ pages CCS Network Code intended to be simpler document that meets initial needs
Flexibility	It is recognised that areas of the CCS Network Code will need to be developed Modification process provides flexibility to meet changing requirements

1. Background to the Code

1.2 The regulatory context



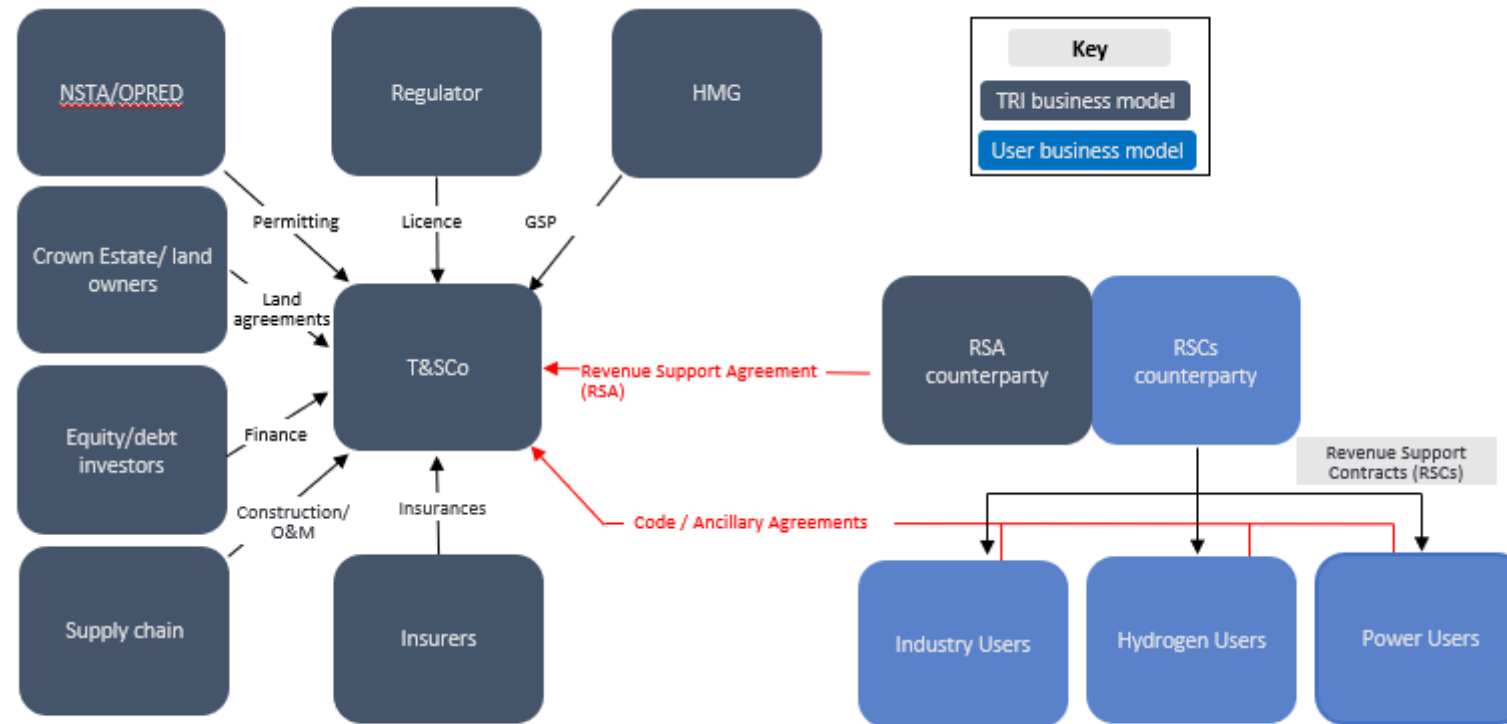
1. Background to the Code

1.3 T&SCo's licence obligations relevant to the CCS Network Code

Obligation	Code Interface
Code administration	T&SCos are required to administer the Code in accordance with the “Relevant Objectives”, including the safe, economic, efficient and effective operation of the T&S Network
All arrangements must comply with Code	Unless agreed by Ofgem, T&SCo must not enter into arrangements with Users other than in accordance with the Code
Access	T&SCo must offer access to the T&S Network in accordance with the Code
Charging methodology	T&SCo must have in place a charging methodology for the calculation of use of system charges – this methodology is set out in the Code
No discrimination	T&SCo is required to operate its business in a way that does not discriminate against any User
Availability adjustment	T&SCo is incentivised to maintain system availability (as failure to do so may impact its Allowed Revenue)

1. Background to the Code

1.4 The Emitter RSC's in the context of the overall structure



1. Background to the Code

1.5 CCS Network Code structure

Section	Topic	Coverage
Section A	Introduction, structure and interpretation	Parties, structure, interpretation
Section B	Governance	Code modifications, dispute resolution
Section C	Connection	Connection to T&S Network, connection disputes
Section D	Network structure and planning	High level principles in relation to network planning
Section E	Network use and capacity	Registered capacity, capacity allocation, nominations, constraints, maintenance
Section F	Network design and specification	Network entry requirements, including metering
Section G	Industrial procedures	Development and review of procedures, compliance
Section H	Charges, invoicing and payment	Charges, invoicing and payment
Section I	Data	Data, information handling, CDS, Independent Verifier
Section J	General	Notices, Liabilities/default, termination, User discontinuation
Section K	Glossary	Glossary of defined terms

1. Background to the Code

1.5 CCS Network Code structure (cont)

Section	Topic	Coverage
Exhibit A	Code Accession agreement	Accession to Code Agreement
Exhibit B	Construction agreement	Construction of T&SCo Works and User Works
Exhibit C	Connection agreement	Details relating to the particular User
Exhibit D	CDS Accession agreement	Accession to the CDS Agreement

2. Section A: Introduction, Structure and Interpretation

2. Section A

2.1 Parties to the Code

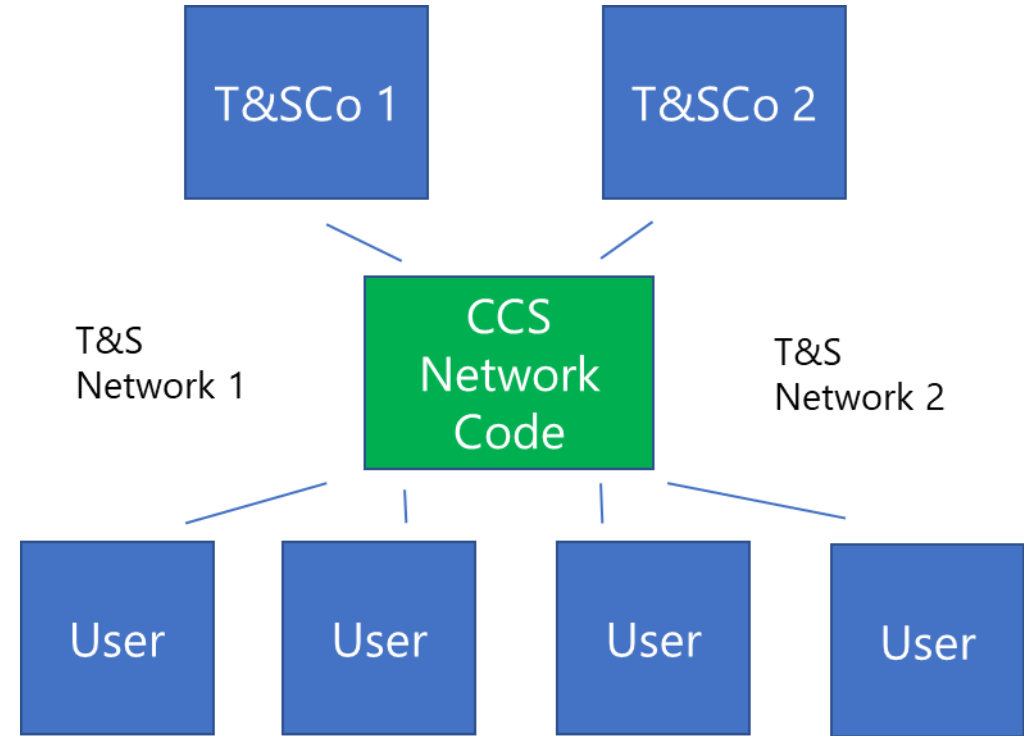
The CCS Network Code sets out the commercial and technical terms governing the arrangements between a T&SCo and Users (emitters) for the use of a T&S Network

The CCS Network Code sets out legally enforceable rights and obligations

Similar role to gas and electricity industry codes:

- The Uniform Network Code for gas
- The Connection and Use of System Code, Grid Code and others for electricity

Even though the different T&S Networks will not be currently interconnected, the current structure allows for there to be a single Code for all T&S Networks (subject to some T&S Network-specific differences, such as CO₂ specifications)



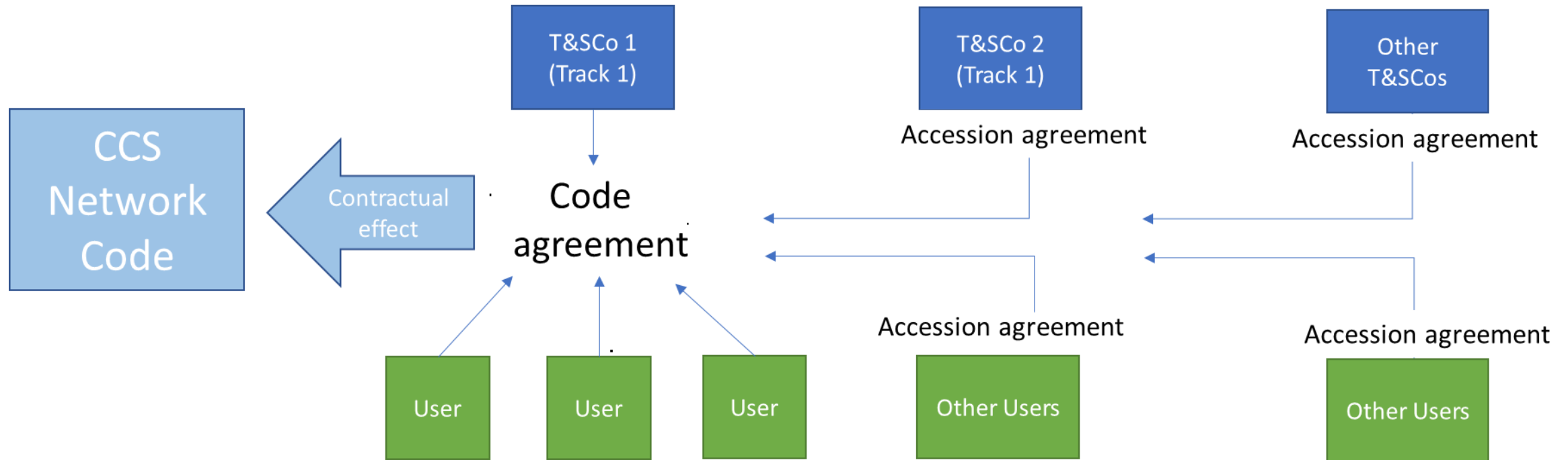
2. Section A

2.2 Structure

“Layer”	Coverage
Uniform provisions	The main body of the CCS Network Code sets out the “uniform” provisions – system use, maintenance, how charges are paid, etc – that are intended to apply to all Users and T&SCos (Users and T&SCos become legally bound by signing the Code Agreement – or later acceding to the Code Agreement by signing a Code Accession Agreement)
T&S Network-specific provisions	There are also some provisions specific to each individual T&S Network – currently is it envisaged that these will include some CO ₂ specifications and possibly some measurement requirements – but there may be more in the future (these are expected to be differences arising from operational requirements, rather than any commercial issues)
User-specific	Each User will enter into a Construction Agreement and a Connection Agreement with the T&SCo operating the T&S Network to which it is connecting – these will include some User-specific provisions

2. Section A

2.3 Contractual effect



3. Ancillary Agreements

3. Ancillary Agreements

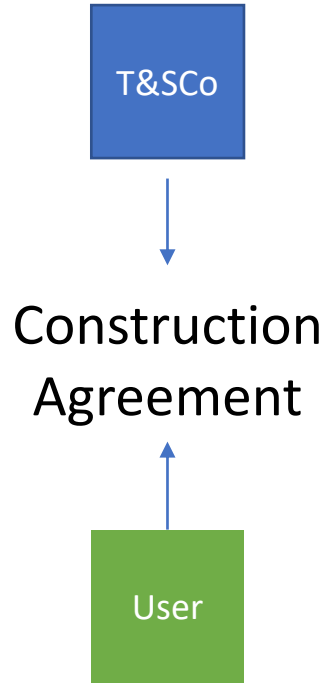
3.1 Context and architecture

- In addition to acceding to the Code, each User will enter into bilateral agreements with the T&SCo operating the T&S Network the User is connecting to
- The Code will include templates for these agreements – the expectation is that the standard terms will not be amended for each individual User – but the User-specific information/provisions will be

“Layer”	Coverage
Uniform provisions	The main body of the CCS Network Code sets out the “uniform” provisions – system use, maintenance, how charges are paid, etc – that are intended to apply to all Users and T&SCos (Users and T&SCos become legally bound by signing the Code Agreement – or later acceding to the Code Agreement by signing a Code Accession Agreement)
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User-specific	Each User will enter into a Construction Agreement and a Connection Agreement with the T&SCo operating the T&S Network to which it is connecting – these will include some User-specific provisions

3. Ancillary Agreements

3.2 Construction Agreement

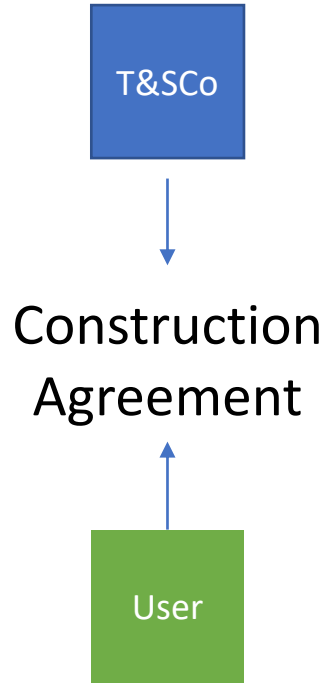


	Standard template	User-specific terms
2 – 7	T&SCo Works and User Works: <ul style="list-style-type: none">responsibility for carrying out worksresponsibility for obtaining consents	<ul style="list-style-type: none">Detailed scope of work for T&SCo Works (Schedule 1)Detailed scope of work for User Works (Schedule 2)User Works Obligations (Schedule 4)
8 – 9	Liaison and shared access: <ul style="list-style-type: none">obligation to liaise with each otherobligation to provide access	
10 – 19	Construction / Commissioning Programme: <ul style="list-style-type: none">responsibility for construction and commissioningconsequences of delay	<ul style="list-style-type: none">Agreed Construction Programme (Schedule 3)Agreed Commissioning Programme (Schedule 5)Liquidated Damages (Schedule 6 – but set at zero)
20	Works related to Re-Use Service	<ul style="list-style-type: none">Details of such Works, where relevant (Schedule 8)
21	Termination events	

3. Ancillary Agreements

3.3 Construction Agreement: Schedule 7

Schedule 7 applies to a Construction Agreement entered into before **System Acceptance** of the T&S Network



System Acceptance

Under the economic licence, System Acceptance:

- must be achieved by T&SCo by the Longstop Date
- is when the Regulator confirms that all the Commissioning Activities have been completed
- is when commercial operations start (Commercial Operations Date)

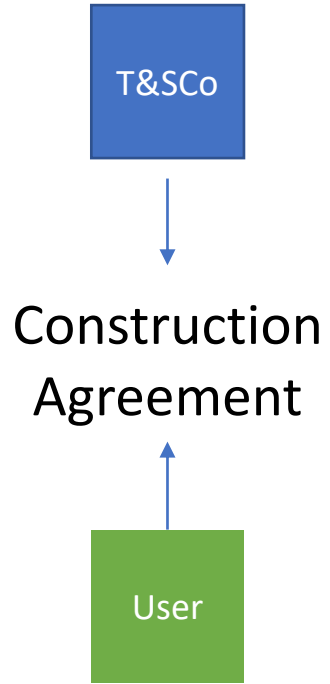
It is contemplated that work to connect certain Initial Users will take place in parallel with construction/commissioning of the T&S Network:

- such connections cannot become operational until System Acceptance of the T&S Network.
- T&S Network cannot be commissioned until certain Initial Users are ready to provide CO₂

Schedule 7 of the Construction Agreement deals with this interface for such Initial Users

3. Ancillary Agreements

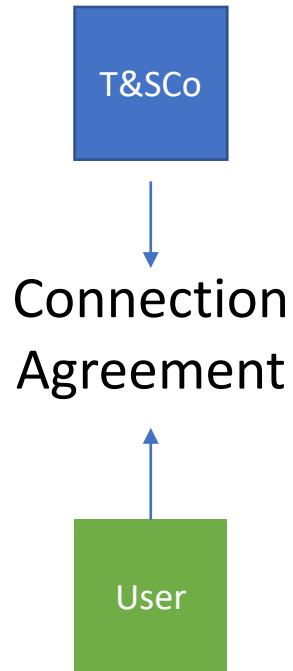
3.4 Construction Agreement: Schedule 7



Key issues to be addressed in Schedule 7	Details
T&S Network Commissioning Plan	<ul style="list-style-type: none">Details of the activities and responsibilities of T&SCo and User
Notification of delay	<ul style="list-style-type: none">Notification of User Delay and T&SCo DelayDetails of a process for rescheduling the activities and responsibilities of T&SCo and User
Liquidated Damages	<ul style="list-style-type: none">As per Schedule 5 (set at zero)Each party responsible for own costs of rescheduling of activities and responsibilities
Longstop Date under the Construction Agreement	<ul style="list-style-type: none">Longstop Date set by reference to T&S Network Longstop Date and User Facility Longstop DateImpact of extensions on the activities and responsibilities of the parties under the T&S Network Commissioning Plan

3. Ancillary Agreements

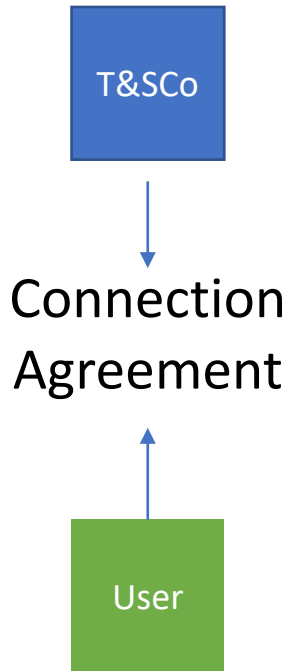
3.5 Connection Agreement



	Standard template	User-specific terms
2 – 4	Scope and term: <ul style="list-style-type: none">• right to deliver CO₂ at Delivery Point	<ul style="list-style-type: none">• Details of User / User contact details/T&S Network/User Facility/ (Schedule 1)• Description of the Delivery Point (Schedule 1)• Commencement Date (Schedule 1)
5 – 6	Entry Provisions / Measurement/Equipment: <ul style="list-style-type: none">• obligation to comply with Entry Provisions applicable to relevant T&S Network• Identification of Measurement Equipment installed in accordance with Code	<ul style="list-style-type: none">• T&S Network specific (Schedule 2)• User / Local Requirements (any technical specifications relating to that User) (Schedule 2)• Details of Measurement Equipment (Schedule 3)
7	Provision of security: <ul style="list-style-type: none">• obligation to provide security	<ul style="list-style-type: none">• Details of required security under Sections E and H (Schedule 1)• <i>Note: Section E security set at zero</i>

3. Ancillary Agreements

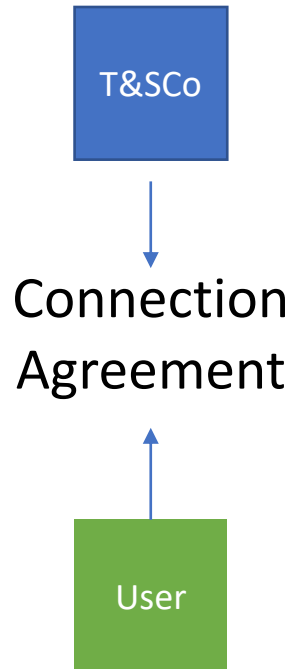
3.6 Connection Agreement



	Standard template	User-specific terms
8	Capacity allocation: <ul style="list-style-type: none">• User to acquire Registered Capacity in accordance with the Code• Registered Capacity acquired at time of entry into Agreement is recorded in the Agreement	<ul style="list-style-type: none">• Details of User Registered Capacity (Schedule 1)
9	Charges: <ul style="list-style-type: none">• Charges payable in accordance with Code	<ul style="list-style-type: none">• User-specific charges e.g. Re-use Service (as below) (Schedule 4)
10	Variations: <ul style="list-style-type: none">• T&SCo and User to put into effect any amendments required as a result of Code modifications	
11	Re-use Service	<ul style="list-style-type: none">• Details to be set out in Schedule 4, if this service applies

3. Ancillary Agreements

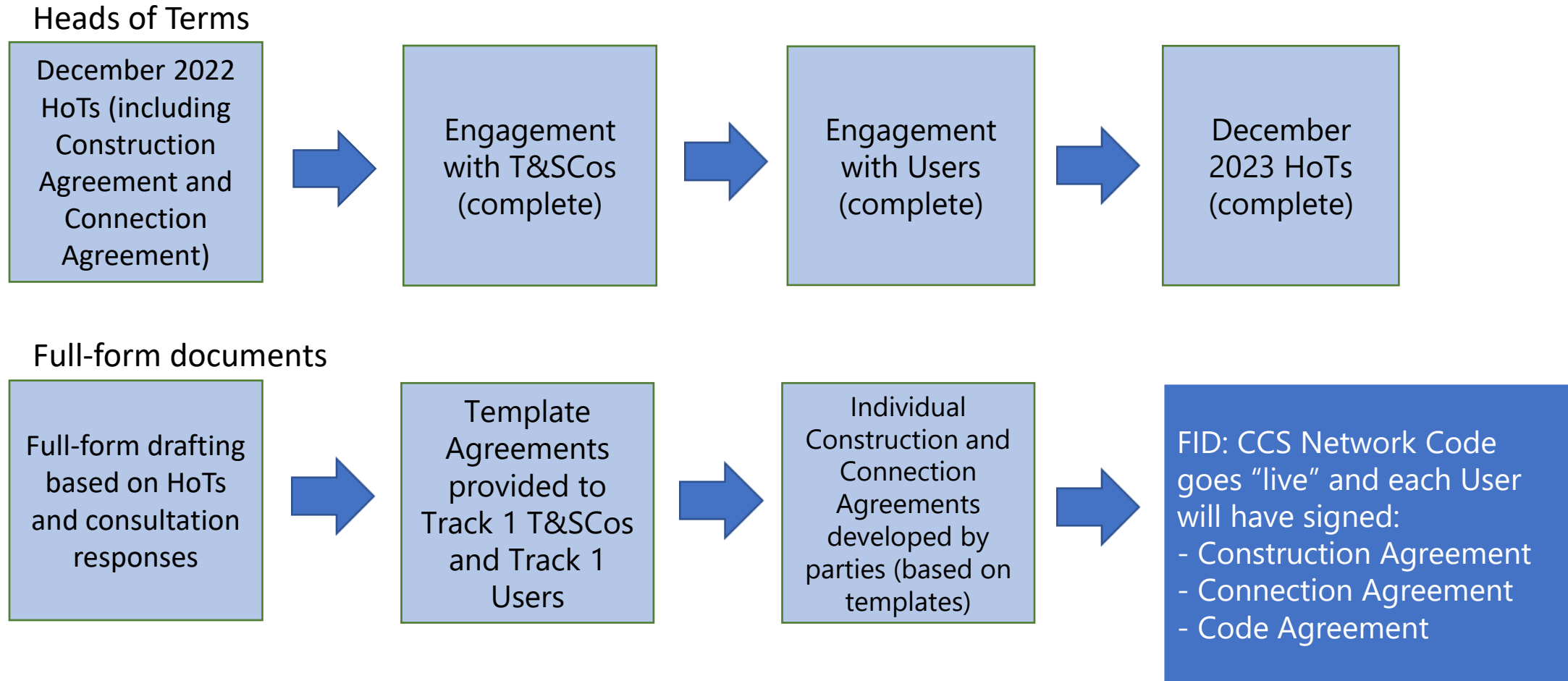
3.7 Connection Agreement



	Other details included in Connection Agreement (Schedule 1)	Relevance under the Code
	Delivery Point Size	<ul style="list-style-type: none">Section H (Charging Methodology)
	Type of User (Onshore/Offshore)	<ul style="list-style-type: none">Section H (Charging Methodology)
	Minimum Turndown Rate: <ul style="list-style-type: none">the User's Flow Rate, when the User is operating its facility at its lowest operational level, to represent the lowest amount of network capacity that the User can make use of when constrained	<ul style="list-style-type: none">Section E (taken into consideration as part of the "Constrained Capacity Optimisation Principles")
	Minimum / Maximum Ramp Rate: <ul style="list-style-type: none">maximum / minimum Ramp Rate technically achievable by the User	<ul style="list-style-type: none">Section E (taken into consideration as part of the "Constrained Capacity Optimisation Principles")

3. Ancillary Agreements

3.8 Timeline



CCS Network Code

Section B: Governance

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CCS Network Code

Section B: Governance



Introduction

CCS Network Code



What is the regulator's role?

The Energy Act 2023 makes Ofgem the independent economic regulator for CO₂ Transport and Storage (T&S) networks. Our responsibilities include being responsible for setting and running price controls, issuing licences^[1] and taking enforcement action, amongst other functions.

The Act outlines our new statutory duties^[2] that we will need to consider when carrying out its functions as economic regulator. This includes our principal objectives to:

1. Protect the interests of current and future T&S network users.
2. Protect the interests of any consumers whose interests the economic regulator considers may be impacted by the exercise of their functions.
3. Promote the efficient and economic development and operation of transport and storage networks, having regard to the need for licence holders to be able to finance their licensable activities.

What is the regulator's role within the CCS Network Code?

Our role within the CCS Network Code, as outlined in the HoTs, will look similar to what we have in other industry codes including but not limited to:

- Determining whether a final modification report should be implemented
- Initiate a significant code review process or propose an urgent modification
- Determining whether a modification is urgent

Governance – Role of the Secretary of State

What is the Secretary of State's role?

Given the nascency of the CCUS sector, it could occasionally be appropriate for the SoS to take a role in Code modification, particularly during the early years of the industry.

This will enable timely and efficient modification of the Code to respond to learnings from early networks and allow for new types of networks, such as those involving non-pipeline transport or separate onshore and offshore licences.

Hence this will ensure the Code remains responsive to the needs of future T&S Co and Users so that expansion and diversification of networks is facilitated.

What is the Secretary of State's role within the CCS Network Code?

The Secretary of State's role within the CCS Code will include but not be limited to:

1. a specific and timebound role during the interim period ^[1], that allows the SoS to propose a modification and determine if it be implemented ("SoS Modification Proposal"). This process will mirror that of Ofgem's ability to initiate an SCR.
2. an enduring ability for the SoS to propose a modification but not determine whether it be implemented. These proposals will follow the same process as if the modification was raised by another Code party (i.e., a T&SCo, User)
3. a formal role as a non-voting member on the Modification Panel
4. being consulted on modifications proposals

[1] Ref: [Energy Act 2023](#)

Administration

CCS Network Code



Who is the Secretary?

- In existing industry codes, code governance responsibilities are often undertaken by a “Code Administrator”.^[1]
- With respect to the Gas and Electricity codes, these existing arrangements are subject to reform as outlined in the Energy Act 2023. One of these reforms being to transition away from code administrators to Ofgem licenced “Code Managers”. **These reforms do not apply to the CCS Code.**
- In a CCS Code context, it was agreed in the early development of the code, due to the nascency of the sector and the code being shorter and less complex than existing industry codes, that such arrangements would not be appropriate.
- Therefore, it was agreed to have a “Secretary” for the CCS Code, a role that does exist in other industry codes, who will carry out a set of tasks and duties with respect to code governance.

How are they selected?

- An individual representative will be **collectively appointed by all T&SCo** code parties to act as Secretary.
- If there is no collective agreement by T&SCos, the Secretary would be appointed by Ofgem (or by an independent person designated by Ofgem).

How are they paid for?

- T&SCos (only) will fund the Secretary **equally** in line with the agreed Final Statement of Expenses.

What do they do?

- **Meetings:** The Secretary will be responsible for convening modification panel meetings and providing notice to code parties of any observers or invitees for a particular meeting.
- **Modification proposals:** The Secretary has multiple roles in the modification process including, but not limited to:
 - Maintaining an online register of all modification proposals^[1];
 - Review new proposals to ensure that the minimum proposal criteria is met;
 - Sending urgent modification proposals to Ofgem;
 - Finalising terms of reference for Workgroups;
 - Preparing draft and final modification reports; &
 - Modifying the code.
- **Disputes:** The Secretary will be able to notify T&SCos of where Code disputes are deemed similar and ask if they be combined.
- **Expenses:** The Secretary will be responsible for preparing and submitting a Resource Plan and Budget Forecast, as well as a Final Expenses Claim, for what the Secretary considers necessary to undertake its functions.

The Secretary will be required to act and take decisions in an **impartial, objective and balanced manner**.

Panel Composition

CCS Network Code



Electing panel representatives: Both User & T&SCo reps

Panel composition	Panel Chairperson	SoS	Authority	User Reps	T&SCo Reps
How many representatives do they have?	1	1	1	6 ^[1]	6 ^[1]
Can they vote?	No	No	No ^[2]	Yes	Yes
Who selects them?	Modification Panel	SoS	Authority	Users	T&SCos
How are they selected?	By Panel Majority	By the SoS	By the Authority	<u>By individual Users</u>	<u>By individual T&SCos</u>
Any exceptions?				<ol style="list-style-type: none"> Where equal representation isn't possible Users will collectively appoint User representatives Where no of Users > 6, Users collectively appoint representatives provided at least 1 per User Type Where no of User Types > 6, the number of User/T&SCo representatives increase to the no of User Types 	<ol style="list-style-type: none"> Where equal representation isn't possible T&SCos will collectively appoint T&SCo representatives Where no of T&SCos > 6, T&SCos collectively appoint representatives
How long will they serve for?	2 years	N/A	N/A	2 years	2 years

Code Modifications

CCS Network Code



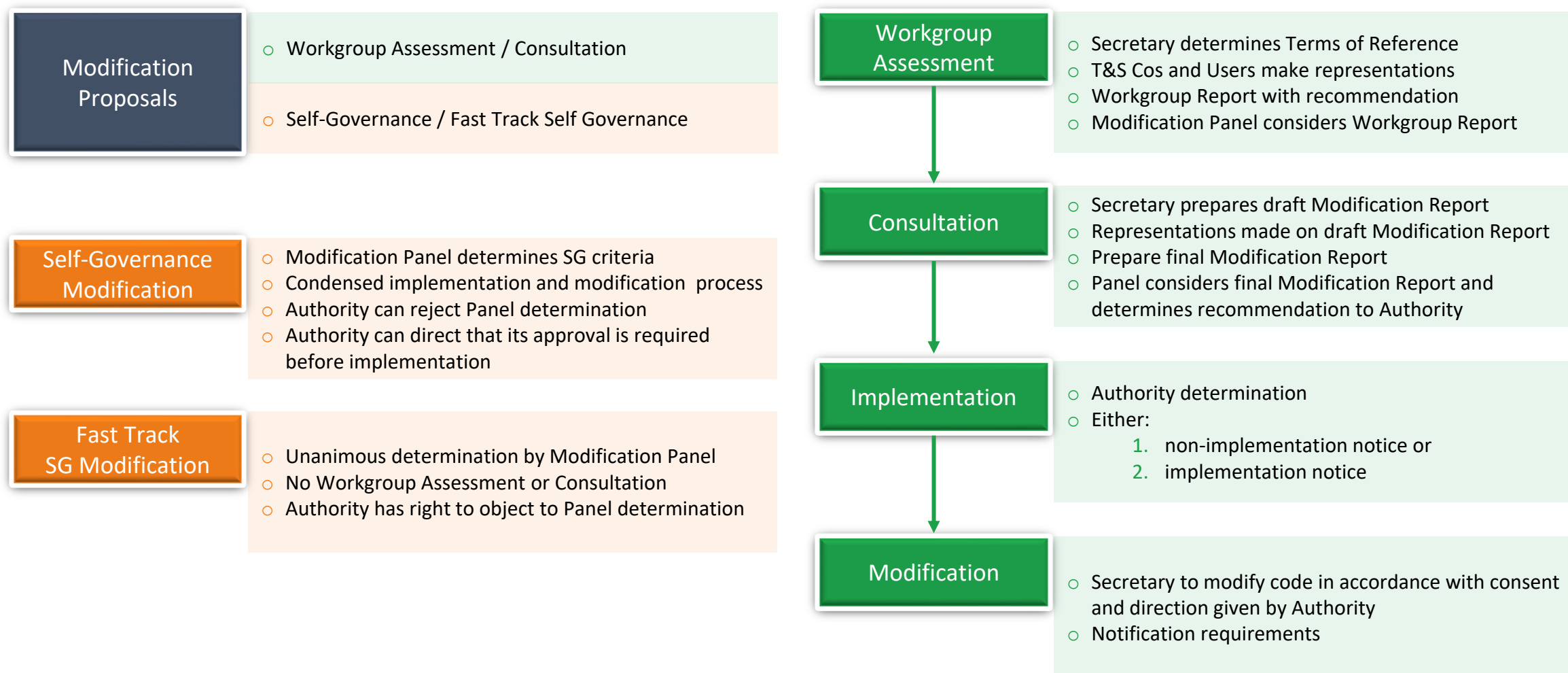
Name of modification type	Determined by	Who can raise this type of modification?				
		T&SCo	User	Ofgem	Third Party Participant designated by Ofgem ^[2]	Secretary of State
Standard Material	Ofgem	Y	Y	N	Y	Y
Self Governance Non-Material	Modification Panel	Y	Y	N	Y	Y
Fast track Self Governance Non-Material	Modification Panel	Y	Y	N	Y	Y
Urgent	Ofgem	Y	Y	Y	Y	Y
Significant Code Review	Ofgem	N ^[1]	N	Y	N	N
SoS Modification Proposal^[3]	SoS	N	N	N	N	Y

During the “interim period”

Name of modification type	Determined by	Who can raise this type of modification?				
		T&SCo	User	Ofgem	Third Party Participant designated by Ofgem ^[2]	Secretary of State
Standard Material	Ofgem	Y	Y	N	Y	Y
Self Governance Non-Material	Modification Panel	Y	Y	N	Y	Y
Fast track Self Governance Non-Material	Modification Panel	Y	Y	N	Y	Y
Urgent	Ofgem	Y	Y	Y	Y	Y
Significant Code Review	Ofgem	N ^[1]	N	Y	N	N
SoS Modification Proposal^[3]	SoS	N	N	N	N	N

After the “interim period”

How does the modification process work?^[1]



Other provisions

CCS Network Code



Specific Provisions / Ancillary Agreements

Specific Provisions

- Provisions which apply only to a particular T&S Network or part of a T&S Network
- Subject to equivalent modification procedure save for a narrower definition of “T&S Co” and “User”

Ancillary Agreements

- “User specific provisions” of Ancillary Agreements not subject to Modification Rules
- “Uniform Provisions” of Ancillary Agreements amended pursuant to Modification Rules

Dispute resolution

General

- Obligation on all parties to reduce scope for disputes
- Disputes under Code, Code Agreement and Ancillary Agreements
- No prevention from seeking interlocutory relief
- T&S Cos and Secretary may identify disputes to join by agreement

Expert Determination

- Code may provide for expert determination
- Final and binding on parties save for fraud or manifest error
- Hold on legal proceedings (other than interlocutory relief)

Mediation

- Adopted by agreement
- Non-binding on parties
- Settlement agreement required to reflect resolution of dispute via mediation

FAQ

As a potential future (i.e., not Track 1) T&SCo or User, will I be able to input into the development of the Code before I have acceded to the Code?

- Both the consultation document and the CCS Network Code Heads of Terms signal that the recent introduction of Ofgem designated Third Party Participants being able to propose modifications could be prospective T&SCos/Users as part of the HMG Selection Process.
- The Secretary of State Modification Proposal may come forward if there are material changes required to accommodate the needs of future T&SCos and Users.

Why would the Secretary of State exercise this modification power?

Given the nascency of the CCUS sector, it could occasionally be appropriate for the SoS to take a role in Code modification, particularly during the early years of the industry.

Therefore governance amendments include

- (i) a formal role for the SoS as a non-voting member on the Modification Panel,
- (ii) a requirement that the SoS is consulted on modifications,
- (iii) An enduring ability for the SoS to propose a modification but not determine whether it be implemented. These proposals will follow the same process as if the modification was raised by another Code party (i.e., a T&SCo, User); and
- (iv) a specific and timebound role for the SoS to propose and implement modifications during the Interim Period (as defined in the Energy Act), by mirroring the process which already applies to Ofgem with respect to Significant Code Reviews.

These provisions seek to enable timely and efficient modification of the Code to respond to learnings from early networks and allow for new types of networks, such as those involving non-pipeline transport or separate onshore and offshore licences. This will ensure the Code remains responsive to the needs of future T&SCo and Users so that expansion and diversification of networks is facilitated.

Q&A

Thank you

For additional information or queries, please contact:
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Ofgem is the Office of Gas and Electricity Markets. We are a non-ministerial government department and an independent National Regulatory Authority, recognised by EU Directives. Our role is to protect consumers now and in the future by working to deliver a greener, fairer energy system.

We do this by:

- **working with Government, industry and consumer groups to deliver a net zero economy at the lowest cost to consumers.**
- **stamping out sharp and bad practice, ensuring fair treatment for all consumers, especially the vulnerable.**
- **enabling competition and innovation, which drives down prices and results in new products and services for consumers.**