

2005/6 Winter Outlook

Commercial arrangements into an Emergency

Nigel Sisman

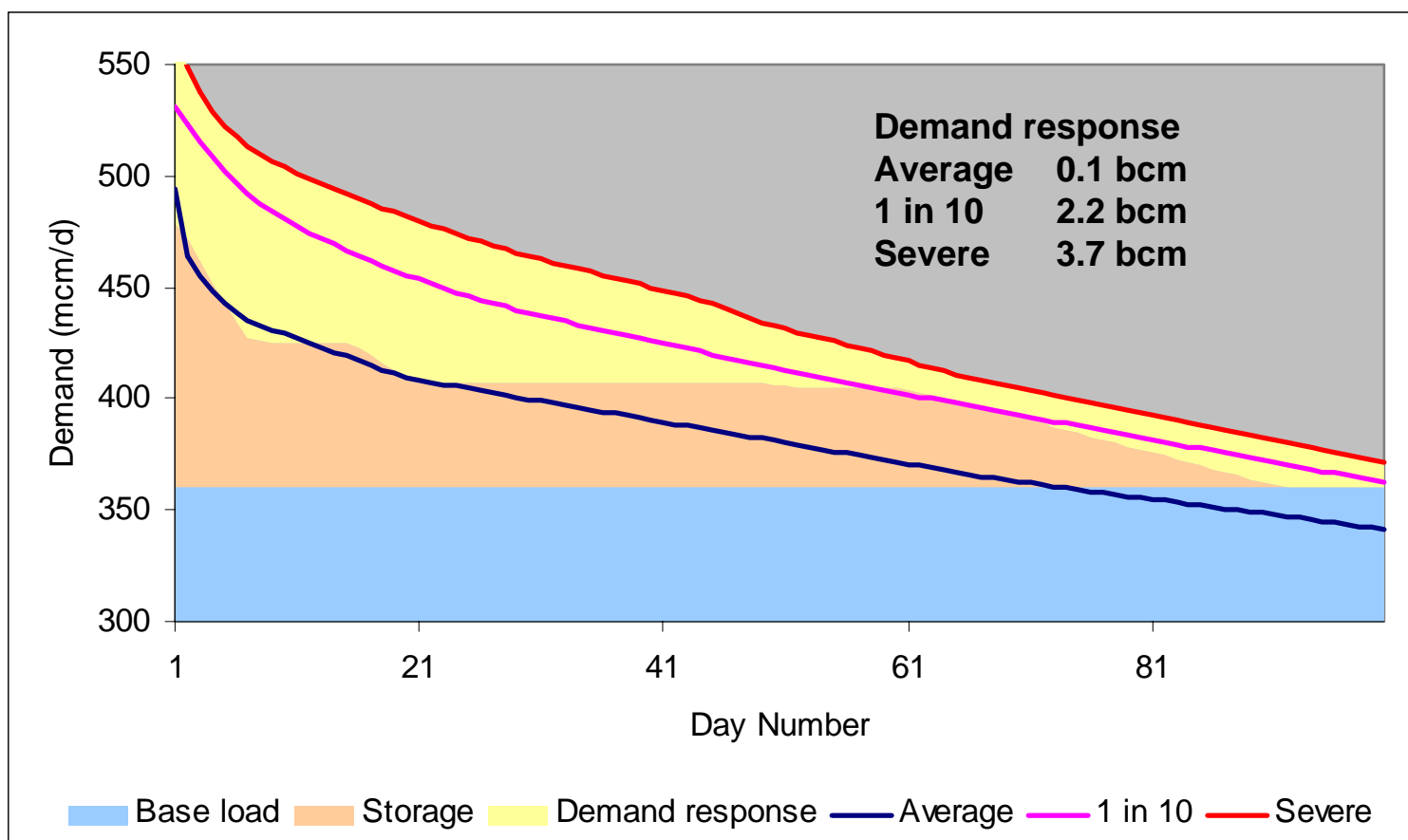
Presentation structure

- ◆ The Winter Outlook
- ◆ Safety Monitors
- ◆ Commercial regime
 - ◆ Balancing responsibilities
 - ◆ Modification 0044 “Revised Emergency Cash-out and Curtailment Arrangements”
 - ◆ Other proposed modifications

The Winter Outlook

.... the Winter Outlook Report indicates that there may be a requirement for demand side management this winter

2005/6 Demand response



Planning for security this winter

.... Storage Monitor levels have been set for the winter

Safety Monitors – Background

www.nationalgrid.com/uk/Gas/Data/misc/

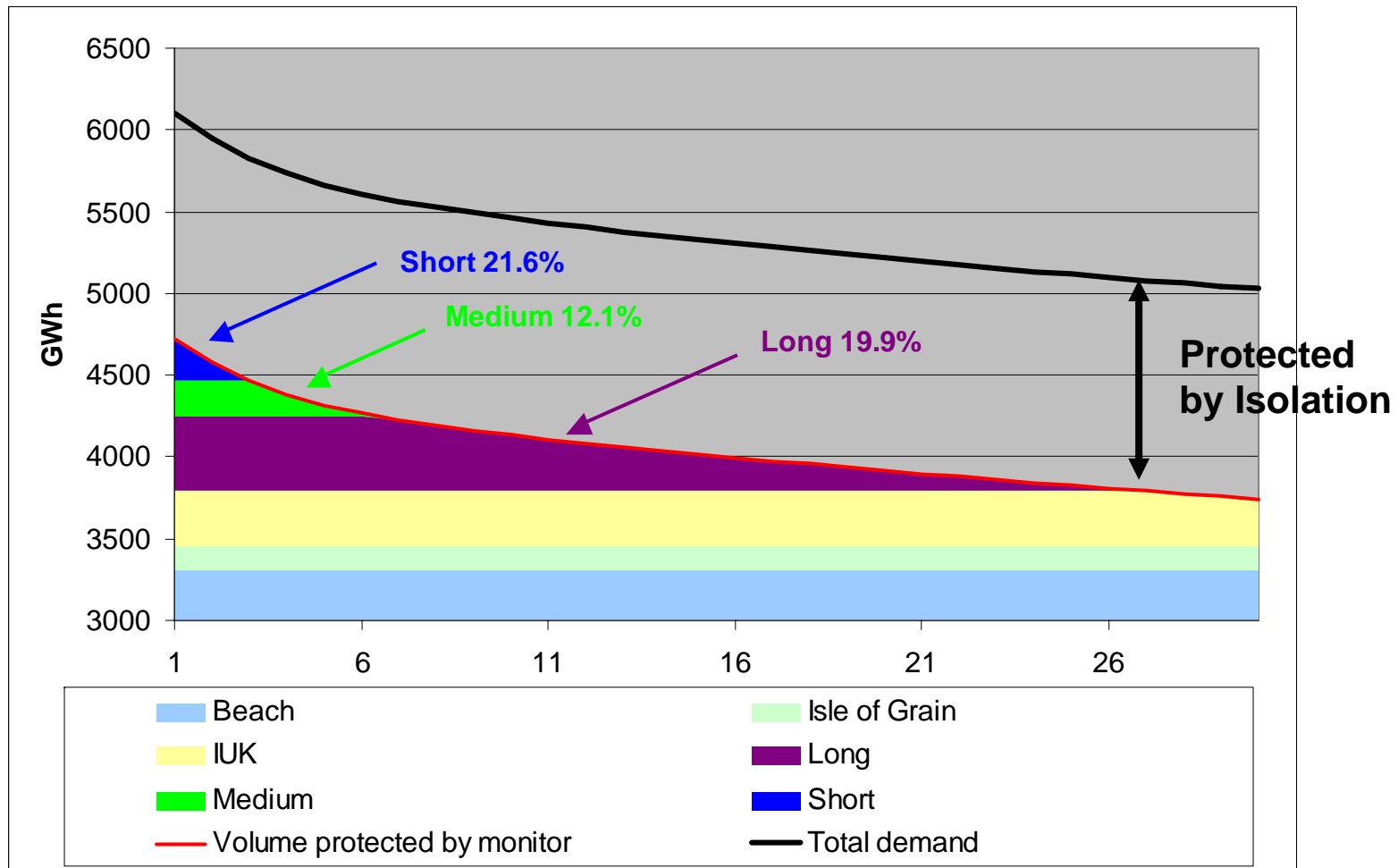
Concept – sufficient gas held in store to support those customers who can not be physically isolated from the network.

All loads categorised into two groups:

- ◆ Loads protected by Isolation
 - ◆ NTS Interruptibles
 - ◆ LDZ Interruptibles
 - ◆ NTS Power Firm
 - ◆ NTS Industrial Firm
 - ◆ DM (excluding priority customers)
- ◆ Loads protected by Monitor
 - ◆ Priority Firm DM
 - ◆ Ireland Firm
 - ◆ >5860 MWh NDM
 - ◆ 2196-5860 MWh NDM
 - ◆ 732-2196 MWh NDM
 - ◆ 73-732 MWh NDM
 - ◆ 0-73 MWh NDM

Safety Monitors – Protected by Monitor

(includes 10 mcm/d supply risk allowance)

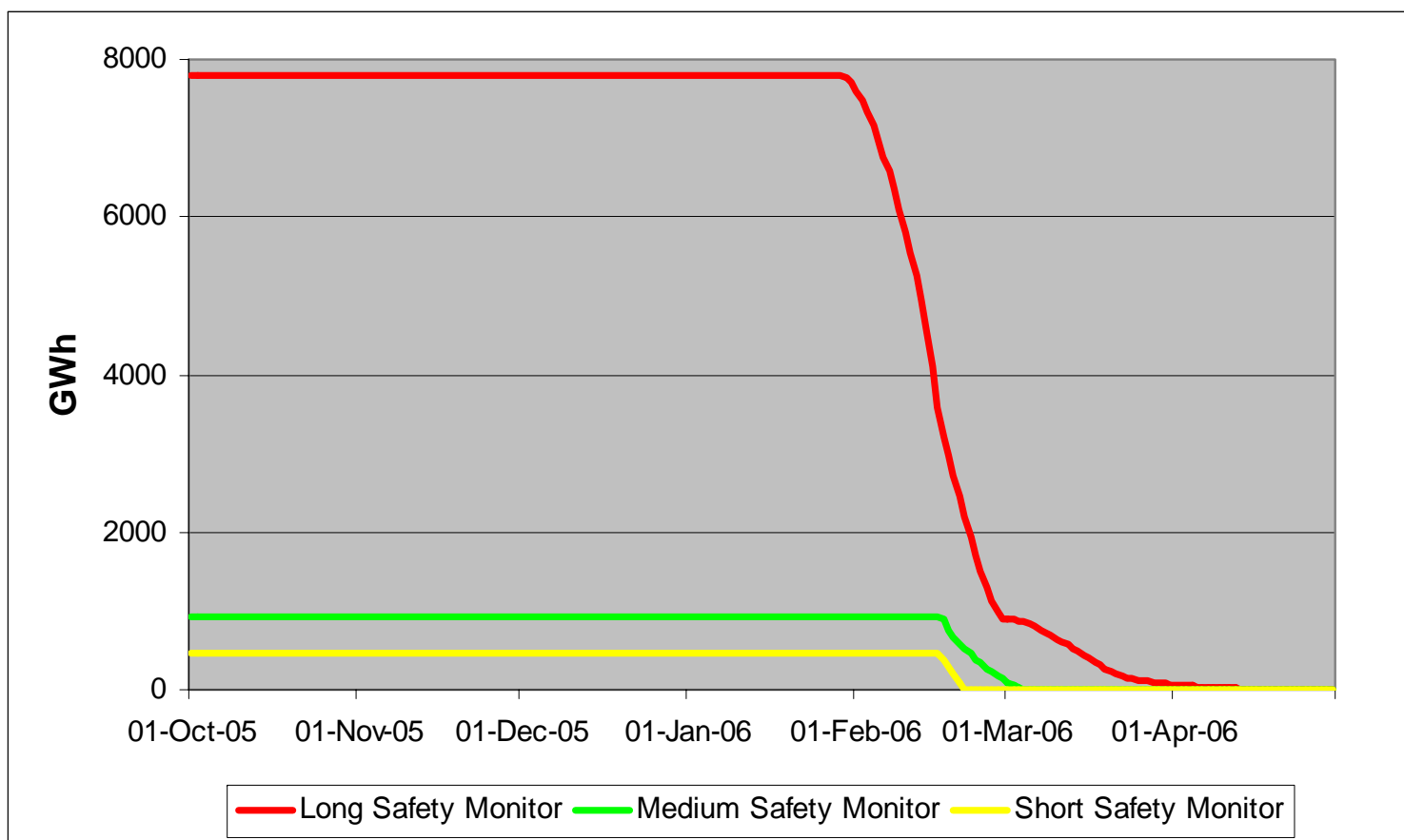


Safety Monitors – Total Requirement

- ◆ Supply/demand and isolation requirements
 - ◆ but reduced for possible double-counting i.e. a Day 1 for both supply/demand & isolation
 - ◆ and adjusted for all of supply risk allowance included in long duration storage

Supply	Space Available (GWh)	Total Required (GWh)	Space Required (%)
Long Duration	34126	7806	22.9%
Medium Duration	7322	933	12.7%
Short Duration	1741	459	26.4%

Safety Monitors – Winter Profile



Storage Monitors, the Safety Case and supply/demand match indicators

... the NEC will intervene to ensure that storage levels do not fall below the monitor levels

... the concept of a Gas Balancing Alert has been introduced as a signal to the market when storage stock levels approach the monitor levels

... to ensure the market is aware of potential tight supply/demand position Gas Balancing Alerts (GBAs) and storage stock and monitor levels are available from our website

nationalgrid

[Home](#) | [Contact us](#) | [Our other sites](#) |

Site Administration

[Switch To Edit Site](#)

Delivering energy safely,
reliably and efficiently.

[About Us](#)

[Energy & Services](#)

[Media](#)

[Responsibility](#)

[Careers](#)

» [Gas](#) | » [Electricity](#) | » [Wireless](#) | » [Metering](#) | » [Property](#) | » [Interconnectors](#)

» [About the Gas industry](#)

» [Safety](#)

» [Streetworks](#)

» [Connections](#)

» **Operational Data**

» [News](#)

» **Daily Summary Report**

» [Energy - Daily Reports](#)

» [Energy - Monthly Reports](#)

» [Capacity - Daily Reports](#)

» [Capacity - Monthly Reports](#)

» [Capacity Auctions](#)

» [Interruptions](#)

Daily Summary Report

DAILY SUMMARY

Current Gas Day : Thursday, 27-Oct-2005

GAS BALANCING ALERT

Tomorrow 28/10/05

Today 27/10/05

[Definitions](#)

Click [here](#) for Gas Balancing Alert history

ANS WARNINGS (Relevant ones only)

Today 27/10/05

[Definitions](#)

Click [here](#) for ANS warnings history

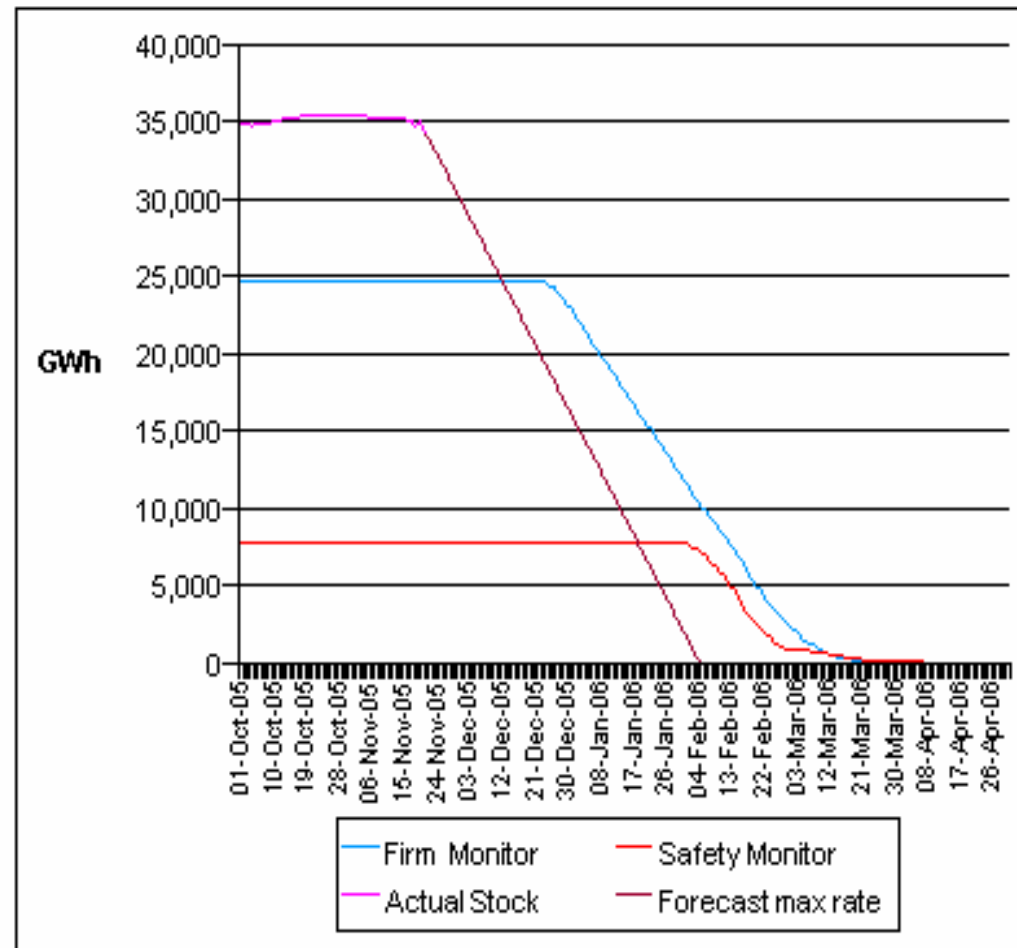
NOTES

Click [here](#) for Notes

New button within Operational Data

New 'Gas Balancing Alert'

LONG RANGE STORAGE



Definitions

[Return to Storage Table](#)

Removal of NTS residual balancer interruption rights

.... implementation of NC Modification Proposal 740a removed the right for NTS supply/demand interruption prior to an emergency

... intended to place increased supply/demand responsibilities with shippers

Modification Proposal 0044

.... implemented to

introduce dual priced cash-out to increase incentives in an emergency

introduce the ECQ to prevent NEC requested interruption reducing balancing incentives

Modification Proposal 0044

- ◆ Objectives

- ◆ Maintaining gas balancing incentive properties into an emergency
 - ◆ Encouraging shipper balancing
 - ◆ via dual priced cash-out
 - ◆ Promoting demand side participation
 - ◆ Removing cash-out exposure “relief” associated with NEC actions

... thereby promoting the market to achieve a supply/demand balance

... promoting competition between shippers

... reducing the risk of NEC curtailment / emergency circumstances

Post Modification Proposal 0044 - Emergency Cashout Arrangements

After market suspension single priced cash-out replaced with dual priced cash-out

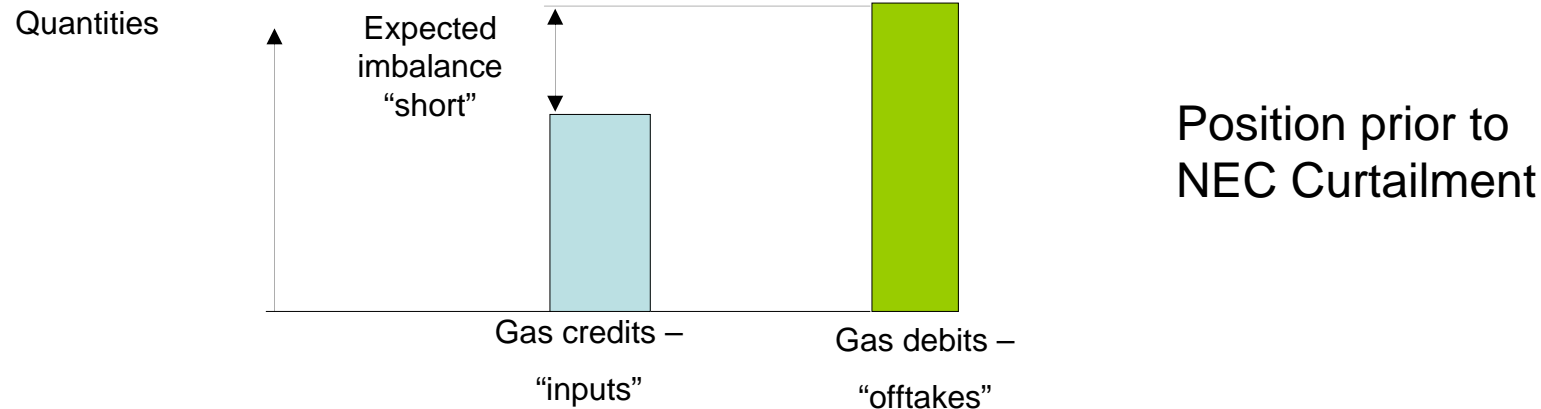


Post Modification Proposal 0044 - Emergency Curtailment Quantity (ECQ)

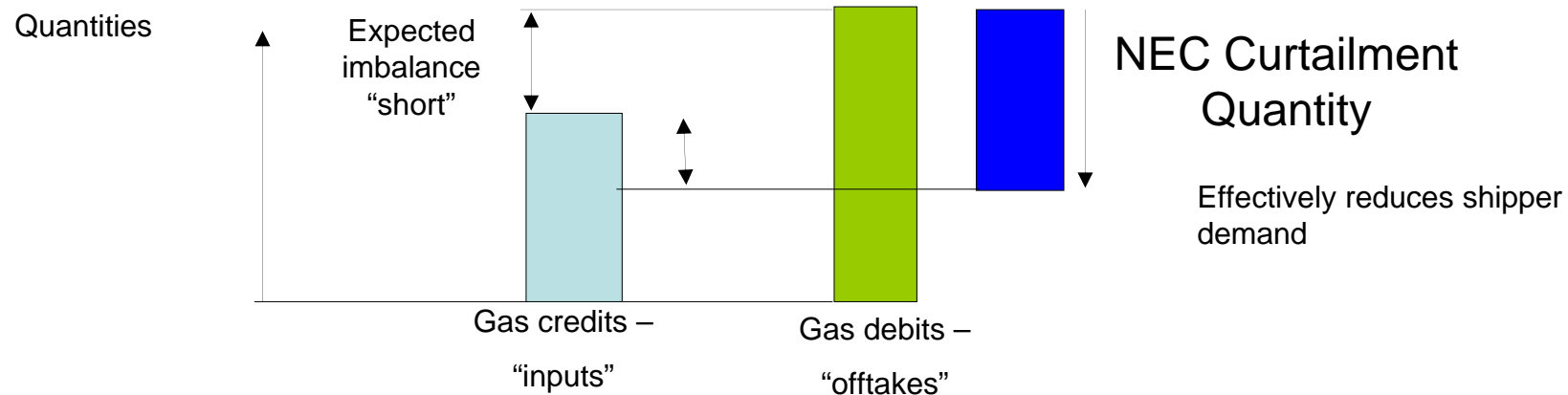
- ♦ Issue
 - ♦ NEC curtailment may reduce shipper exposure
 - ♦ approach designed to maintain shipper's imbalance
- ♦ ECQ Objective
 - ♦ encourage shipper use of demand side participation

Maintenance of balancing incentives into an emergency will promote market balancing and therefore reduce risks of emergency situation

Post Modification Proposal 0044 - Emergency Curtailment Quantity (ECQ)



Post Modification Proposal 0044 - Emergency Curtailment Quantity (ECQ)

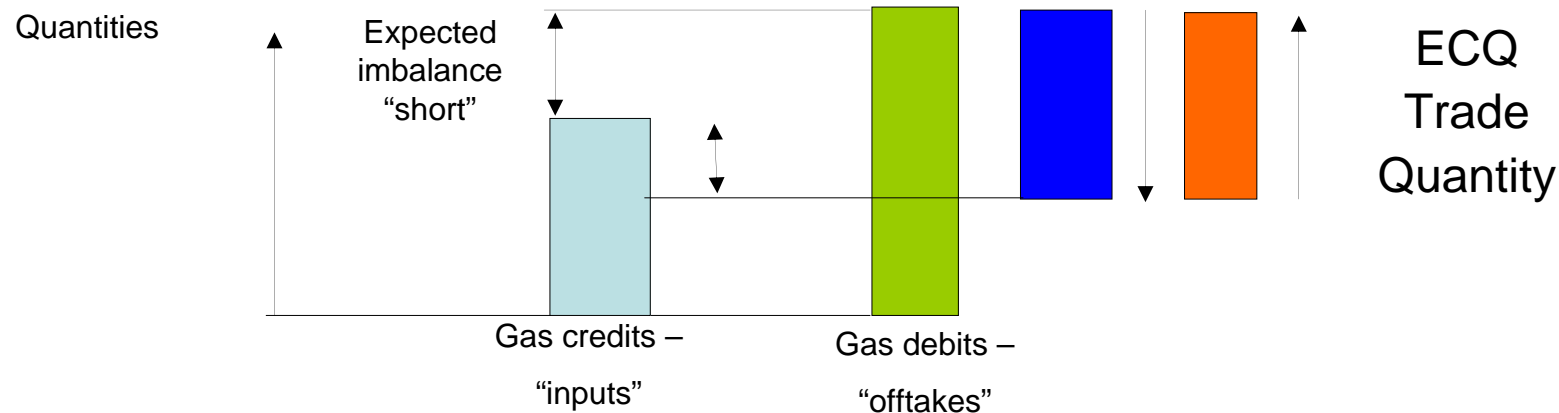


Without 0044 Shippers “short position” would be translated into a long position

The NEC would effectively remove exposure from the shipper; reducing incentives to balance

... therefore 0044 introduces the concept of an ECQ Trade , where the shippers offtakes are increased

Post Modification Proposal 0044 - Emergency Curtailment Quantity (ECQ)



Application of ECQ Trade Quantity effectively increases demand

Shipper is paid 30 day SAP for this Trade Quantity

Post Modification Proposal 0044 - Emergency Curtailment Quantity (ECQ)

- ◆ Each Transporter has obligation to accurately establish emergency curtailment quantities
 - ◆ ECQ methodology to calculate quantities
 - ◆ Communicate quantities to National Grid NTS
 - ◆ National Grid NTS enter ECQ NBP trade
 - ◆ Support information to shippers after the day
- ◆ ECQ trade at 30 day SAP price
- ◆ Process to resolve ECQ quantity dispute

ECQ Methodology

All transporters to use ECQ methodology; initial application as follows:

- ◆ Contribution determined from, in sequence
 - ◆ OPNS
 - ◆ Nominations
 - ◆ Allocations
 - ◆ SOQ

Approach chosen will depend upon data availability

All transporters have common and tested processes in place to derive ECQ contributions and to pass to National Grid NTS as “aggregator” for NBP Trade Nomination purposes

nationalgrid

Other changes for this winter?

- ◆ 0061 "Facilitating further demand-side response in the event that a Gas Balancing Alert is triggered"
 - ◆ Create the ability for multi-day trading on the OCM
 - ◆ Allow residual balancing actions outside of the OCM for non Trading parties, including multi-day trades
 - ◆ Multi-day trades restricted to when a GBA has been issued.
 - ◆ Multi-day trades up to 7 day duration
- ◆ 0052 and 0067
 - ◆ compensation arrangements for Users affected by NEC storage curtailment actions

Conclusion

- ◆ Demand side management may be necessary this winter
- ◆ Commercial regime designed to encourage market based supply/demand matching
 - ◆ Increased information provision
 - ◆ Incentives for end-consumers/shippers to demand manage
- ◆ ECQ approach will apply to load shedding called by NEC
- ◆ Dual priced cashout if market is suspended