

Recommendations from the emergency workstream sub-group

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Potential defect 1

- Currently no explicit provisions in the BSC that relate to the impact of Demand Control measures as defined under Grid Code OC6.
- However, a period of Demand Control would have a number of consequences under the BSC

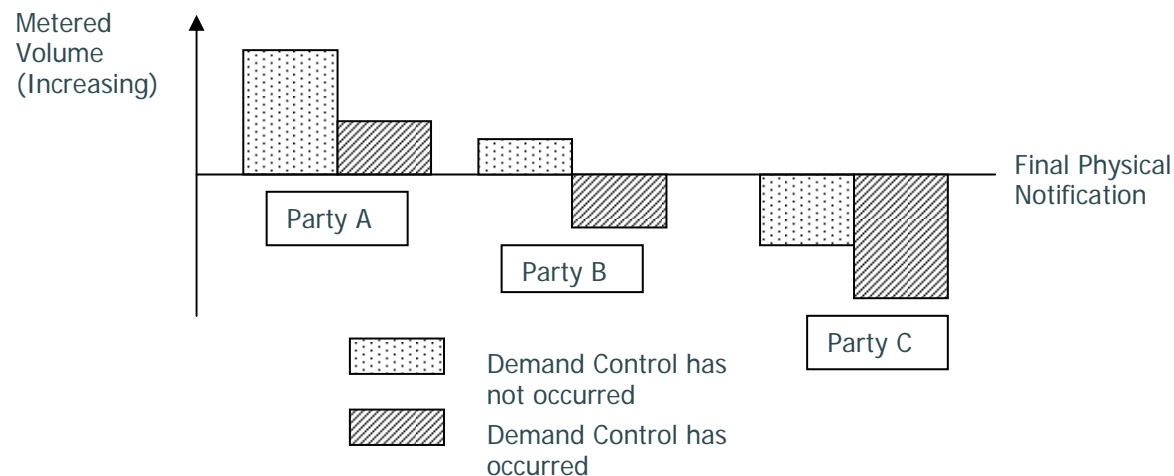
ANALYSIS

- Ensure that the Imbalance Position of affected Parties is amended to reflect the impact of Demand Control;
- Ensure that Parties affected by Demand Control are appropriately compensated for the reduction in their demand;
- Ensure there is no financial incentive for Parties to induce or extend periods of Demand Control; and
- Target the cost of Demand Control at the appropriate Parties.

Size of defect

Party Imbalance Positions will be impacted

- Import Metered Volumes reduced
- Affected Party imbalance positions will be lengthened (i.e. Party will appear less short or more long than in the absence of Demand Control)

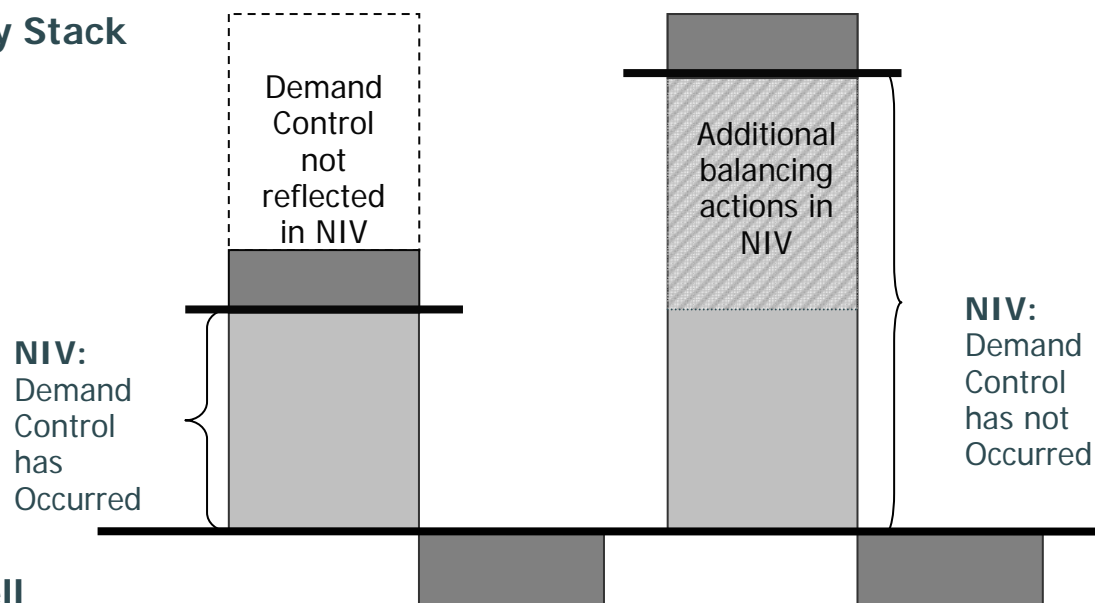


Size of defect

Impact on Net Imbalance Volume (NIV)

- Demand Control volume not reflected in NIV
- Main Energy Imbalance Price impacted

Buy Stack



Sell Stack:

Solutions proposed

Solution 1

Reflecting the impact of Demand Control on Party Imbalance positions

Solution 2

Payments to affected Parties for Demand Control; and

Solution 3

Reflecting Demand Control in the calculation of Energy Imbalance Prices.

Potential defect 2

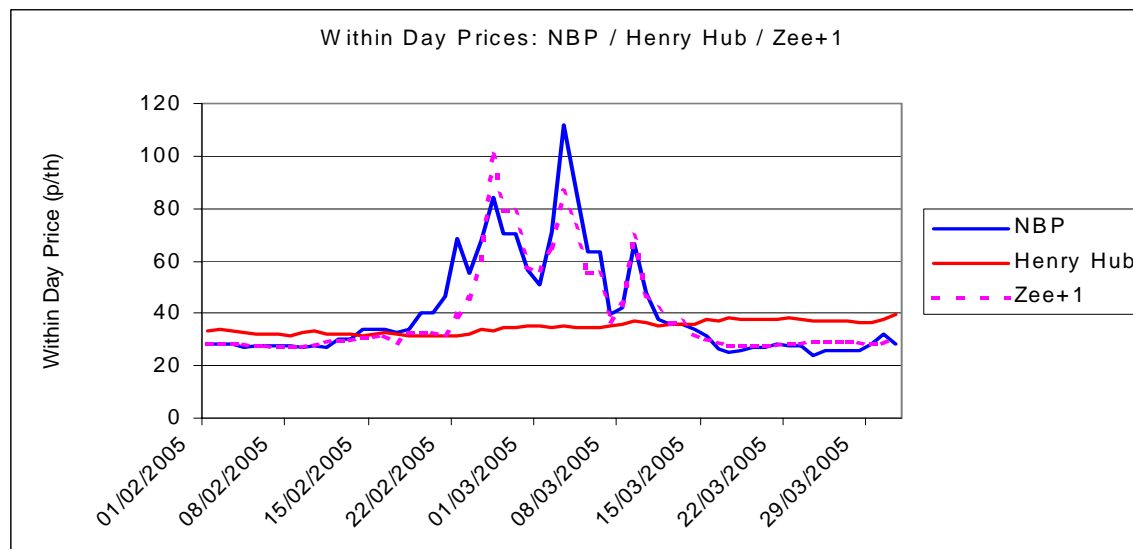
Does normal market operation lead to appropriate cash-out prices:

- Will LNG continue to be imported? If not, how could this be addressed?
- At the point of market suspension (Stage 2 of Gas Deficit Emergency) will prices continue to reflect market fundamentals

ANALYSIS

- Analysis of forward hub prices
- Analysis of prices over the February /March cold snap.
- Analysis of Cash out arrangement in other European countries

Analysis of defect



But ..Emergency cash out prices in other countries linked to NBP prices plus a multiplier
Spain 150% of NBP or Henry Hub (whichever is higher)

- Market prices signal the need for more gas to the
 - UKNBP price > Henry Hub
 - GB Demand > 350 Mscm/d
 - NBP price > Henry Hub
 - GB Demand > 350 Mscm/d

Possible further analysis

- To what extent do other markets link their cashout prices to those of the UK and the US
- Would linking cash-out prices in an emergency to those of other markets lead to a spiralling of multipliers?
- What are the legal requirements of suppliers
 - in other countries, for example when does a LNG ship become a title trade to a particular country?
 - How much gas are suppliers required to hold in store?

Outstanding concerns

GAS

- More time is needed to fully understand the impact of linking gas prices to international hub and cash out arrangements

ELECTRICITY

- The key concern is how to price and quantify volumes during demand control.



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