

End-user contracting and the UNC

EOWG presentation

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nationalgrid

Current regulatory framework

- ◆ Gas Act
 - ◆ Licenses Transporters, Shippers, Suppliers
- ◆ UNC
 - ◆ Transporters provide shippers with transportation services
 - ◆ Exemption for transporter/transporter service at NTS/DN interface

Gas consumers contract for gas supply with suppliers

....a recurrent theme associated with NTS exit reform has been the inability of gas consumers to contract directly with the transporter

... this presentation considers two approaches to address the issue

Gas Act revision (or a new exemption)

bi-lateral contract “fix” between gas consumer and a shipper

Gas Act revision (or new exemption)

Either

the Gas Act could be revised to permit direct contracting

or

an exemption for gas consumers in this area might be granted

However the case would need to be made

... an alternative approach might be to consider a new form of gas consumer – shipper “capacity provision” contract

Gas consumer – shipper “capacity provision” contract

Why needed?

To enable the benefits of long term capacity contracting to consumers

What would it do?

Enable the consumer to “reserve” desired level of capacity

How might it work?

Consumer appoints a shipper as its agent

Tells the shipper how much capacity it wants and when

Nearer gas flow tells the shipper agent which shipper will be “supplying”

Shipper agent “trades” capacity to supplying shipper

Consumer pays agent for capacity holding and a service fee

Assessment of “shipper agent contracting option”

◆ Benefits

- ◆ Affords opportunity for consumers to reserve capacity
- ◆ Delivers user commitment principle by those best placed to make it
- ◆ Enables consumers/shippers to preserve options without necessitating long term gas supply commitments

◆ Costs

- ◆ Additional contracting complexity generating transaction costs

... would consumers want to enter into such contracts?

... would any shippers be willing to provide the service and if so at what cost?