# Security of Supply SCR – A suppliers view

CORONA ENERGY
A Macquarie Group Company

PLEASE NOTE THE FOLLOWING SLIDES DO NOT REPRESENT THE VIEWS OF CORONA ENERGY.

THEY WERE CREATED AS AN OVERVIEW OF THE MAJOR THEMES AND COMMENTS PROVIDED BY ALL SHIPPERS AND SUPPLIERS DURING THE OFGEM SCR WORKSHOPS.

# Process

- Negatives
  - Closed 'invite only' workshops
  - Time was limited in the workshops
  - Focused purely on supply deficit emergencies
  - Minutes difficult for non-attendees to follow

- Positives
  - Ofgem representatives appear open to views
  - Good, open dialogue (each meeting all attendees contributed)
  - Debate was not curtailed
  - Ofgem team clearly making active efforts to engage outside of Workshops (Gas Forum, DSWG etc)
  - Willing to discuss previous Ofgem decisions and assumptions

# Major Themes - Prior to an Emergency

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## Principle

- Where is the problem?
  - Shipper/supplier incentives and obligations to balance are in place now
  - Historic customer interruptions have been Transporter led
- Would measures result in supply-side investment?
  - Incentives would drive the least cost option (insurance, flexibility products or accept the risk)
  - Obligations would distort the market and destroy competition (small suppliers could not compete with vertically integrated suppliers).
  - Would VoLL be set prior to the day?
- Is the current approach in the best interest of consumers?
  - Costs will be passed to consumers (flex costs reflect 5%-10% price increase)
  - Customer choice?  Opt Out?
  - International competitiveness

# Major Themes - Prior to an Emergency

## Practical

- Different deficits causes may create differing issues

  Cold weather/International disputes – Medium/Long lead time allows market response and positions to be covered. International competition for energy.

  Accidental damage/Terrorist Attack – Short lead time. Limited market response and response may not be possible.

- Demand Side Response

  Mod 90 changes never considered the benefit in supply deficit situations but these sites provided a significant degree of protection

  Medium and Smaller customers demonstrate little appetite (only 10% of customer placed bids for interruptible contracts) for enduring arrangements

  Smaller customer will need smart meters to make this viable

  Scope to reform arrangements to create a demand side response market that NGG could access

- How to calculate VoLL?

  Summer/Winter – Heat load values differently by season

  Seasonal sites – May not be using energy

  Business economics – Different processes will have different values for the energy content

  Business dynamics – Different points in a business cycle may create different energy values

  Reputation risk – Non delivery to a customer may be costly

  Alternative Fuel – Mod 90 demonstrated how complex

# Major Themes – During an Emergency

- Should the market remain open or be suspended?
  - Consensus that where possible the market should remain open
  - Credit is a significant problem
  - Idea of a central buyer not popular but could be a 'least worse' option
- Day 2
  - The market may responds and shippers could all be balanced or long but a network still maybe isolated. Who is responsible?
  - Obligations would distort the market and destroy competition (small suppliers could not compete with vertically integrated suppliers).
- Firm load shedding processes
  - Could the process be more flexible to recognise customer loss/costs
- Need joined up thinking with Europe to avoid protectionism and distortions
- Tutti Fruity approach?

# Major Themes – After an Emergency

- Who should pay?

  Consensus that short shippers should bear the majority of the risk

  Strong concerns raised of the risk of supplier/shipper default

  a) Affordability
  b) Timing - Ability to raise funds
  c) Domino effect

- How to limit the impact on consumers

  Smart meters may play a role

  Transporters may need an incentive

# Questions