

The background features a large, stylized white arrow pointing right, overlaid on a blurred image of a gas burner with blue and orange flames. The overall color palette is light blue and white.

Further issues for breakout sessions

Workshop 2: Gas SCR draft policy decision

23 January 2012

Further issues for discussion

- Whether to have a single cash-out price?
- How to deal with interruptible customers that are instructed off by National Grid?
- Payments for load shedding of NDM customers
- Whether to have force majeure?
- What to do with insolvency.

Single cash-out price

- The business rules have been drafted assuming that the cash-out price for long shippers will remain unchanged from the current arrangements
- However, there may be merit in considering a single cash-out price for both short and long shippers (ie, cash long shippers out at VoLL once firm load shedding has begun)
- **We welcome views on the merits of these two options**

Payments to “interruptible” DM customers instructed off by NGG

- Our minded to position is that:
 - Customers are paid exercise price for the volume of gas that has been interrupted
 - Shippers are not provided with payment to pass through but benefit from gain in imbalance position
 - National Grid would not apply the ECQ to these volumes of gas; hence, this would require shippers to inform National Grid of their interruptible contracts.
- **We welcome views on this position**

Payments for load shedding of NDM customers

- Difficult to prove that NDM customers have shed load in stage 2 of an emergency. Who should burden of proof be on?

No payment unless customers prove that no gas has been consumed

(+) Interest of consumers to provide information which is likely to result in a more accurate allocation of DSR payments

(-) The underlying assumption is that consumers do not oblige the order to turn down; hence, they have to prove that they oblige.

Payment unless suppliers prove that customers have not turned down

(+) Suppliers have direct access to this information and should be able to provide evidence very easily.

(-) Why should a supplier have an incentive to prove that a consumer has turned down since short shippers are paying? De-link may lengthen or undermine process

Force majeure

- Our minded to position is that force majeure should not be introduced into the cash-out mechanism as it would reduce the incentives to attract gas before, and in an emergency
- Our current position is that it should also not apply to involuntary DSR payments – owing to difficulties in defining force majeure and potential disincentives to insure against emergency
- **We welcome views on this position**

Dealing with insolvency

- Our current position is that this is out of scope of this review and that the industry is best placed to manage insolvency arrangements
- We believe that the Special Administration Regime should ensure that customers continue to be supplied with gas if their supplier becomes insolvent
- Where a shipper becomes insolvent before it has paid any DSR payments required of it, this would be paid for through neutrality
- **We welcome views on this position**

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

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for all gas and electricity customers