

Ofgem Gas Security of Supply Significant Code Review



**Storage Curtailment
21 September 2012**

Background

Modification Proposal 052 - Storage Withdrawal Curtailment Trade Arrangements in an Emergency

- “Even the most prudent of shippers could face SMP Buy cash-out exposure because of the inability to access storage flexibility.”
- Implemented 5 December 2005

Modification 0071a - User Compensation for NEC Storage Curtailment

- Implemented 23 December 2005

Modification 71a compensation arrangements

The Modification;

- retains initial 'upfront' SMPbuy – 30 day SAP compensation payment introduced under Modification 0052; and
- introduces a reconciliation process which adjusts 30 day SAP price applied during emergency by comparing with post emergency 30 day SAP price:
 - In respect of the Storage Curtailment Reconciliation where the Post Emergency 30 day SAP is:
 - greater than the 30 day SAP applied during the emergency; the shipper will pay the excess multiplied by the curtailment claim quantity for the day:
 - less than the 30 day SAP during the emergency then the shipper would get paid the shortfall for the curtailment claim.

Storage Curtailment

- **TPD section Q7.2 - Storage Curtailment Compensation Arrangements**

- **“Storage Curtailment”** means the reduction or cessation of delivery of gas to the Total System from a Storage Facility at the relevant Storage Connection Point by the Storage Operator following a request to do so by the NEC.

- **“Storage Curtailment Compensation Price”** means the value (in pence/kWh) determined as:

$$\text{SMPBuy} - 30 \text{ Day SAP}$$

- **“Storage Curtailment Reconciliation Price”** is a price determined as

$$(\text{30 day SAP PE}^* - 0.0611\text{p}) - 30 \text{ Day SAP}$$

*PE = Post Emergency