

# Gas Security of Supply Significant Code Review

DSWG

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Anjali Mehta, Tom Farmer

## **Outline of Presentation**

1. Objectives
2. Proposed Final Decision
3. Discussion - DWSG Views

## The Gas SCR aims to...

...minimise the likelihood of an emergency occurring by encouraging gas shippers and suppliers to undertake sufficient investment to enhance security of supply

...minimise the severity and duration of a GDE, if one ever occurred, by sharpening incentives to attract gas into GB

...ensure that firm consumers are paid for any involuntary DSR services that they provide in an emergency.

## **Our proposed final decision is to proceed with reforming emergency cash-out arrangements**

- Cash-out unfrozen in a Gas Deficit Emergency (GDE); 'short' cash-out price goes to VoLL when firm customers are curtailed
- VoLL set at the estimate of the domestic level – £20/therm
- Imbalances adjusted such that shipper imbalances do not benefit from firm Non-Daily Metered (NDM) interruptions
- Payments to firm customers for involuntary DSR service
- Cash-out liabilities "capped" in the case of network isolation
- No introduction of Force Majeure exemption clause

## Key policy decisions

- Key consideration is transfer of risk from consumers to shippers, as shippers better placed to manage these risks
- Do not propose to introduce Force Majeure exemption
  - Would weaken incentives on shippers to avoid emergency
  - Uncertainty over possibility of FM relief would harm response to emergency
- Single VoLL for all firm customers, maximises incentives for efficient demand-side discovery. We have not been presented with convincing evidence that such a market will not emerge
- “Capping” cash-out in network isolation balances interests of consumers in enhancing security of supply, with interests of shippers in not being exposed to inappropriate level of risk

## Our SCR process to date



**We are keen to hear from the demand-side on our proposed final decision**

## Discussion

- Views on Ofgem proposed final decision?
- Do proposals maximise incentives for efficient DSR discovery?
- Would shipper / demand-side workshop to understand barriers to interruptible contracts be helpful?

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.

*ofgem*

Promoting choice and value  
for all gas and electricity customers