

A decorative graphic consisting of a solid blue horizontal band across the middle of the page. Overlapping this band from the bottom are several white, curved, flame-like shapes that extend upwards into the blue area.

Modification 0667 – Minimum Duration Analysis

7th February 2019

Summary of Analysis

- » Analysis compares UNC Modification 0667 and the ECRM Proposal for Milford Haven and Isle of Grain using a hypothetical booking profile
- » All scenarios assume the same Project Cost of £140m and therefore £70m is required to be signalled to pass the NPV test
- » CWD prices for Gas Year 2021/22 from 0621 are used (CWD Model v2.4)
- » **Analysis Summary**
 - Due to the minimum duration within ECRM Review **both Entry Points have to signal more revenue than required to pass the NPV test** due to the additional unsold being required and not contributing towards the NPV test (only incremental capacity and any premium contribute towards it)
 - Despite the cost of incremental capacity from both Entry Point being the same, **Milford Haven contributes higher costs in total than Isle of Grain** due to the 16 quarter minimum duration and differing CWD prices (which are not calculated based on marginal costs)

Proposal	Entry Terminal	NPV Signal Provided	Cost of Incremental Capacity (not discounted)	Cost of Unsold Capacity Required (not discounted)	Total Cost (not discounted)	Percentage Recovered vs NPV Signal Required
UNC Modification 0667	Milford Haven	£70,000,000	£80,042,169	£11,466,000	£91,508,169	131%
	Isle of Grain	£70,000,000	£80,154,613	£7,443,800	£87,598,413	125%
Entry Capacity Release Methodology Review	Milford Haven	£70,000,000	£80,040,917	£79,884,000	£159,924,917	228%
	Isle of Grain	£70,000,000	£80,152,291	£51,861,200	£132,013,491	189%

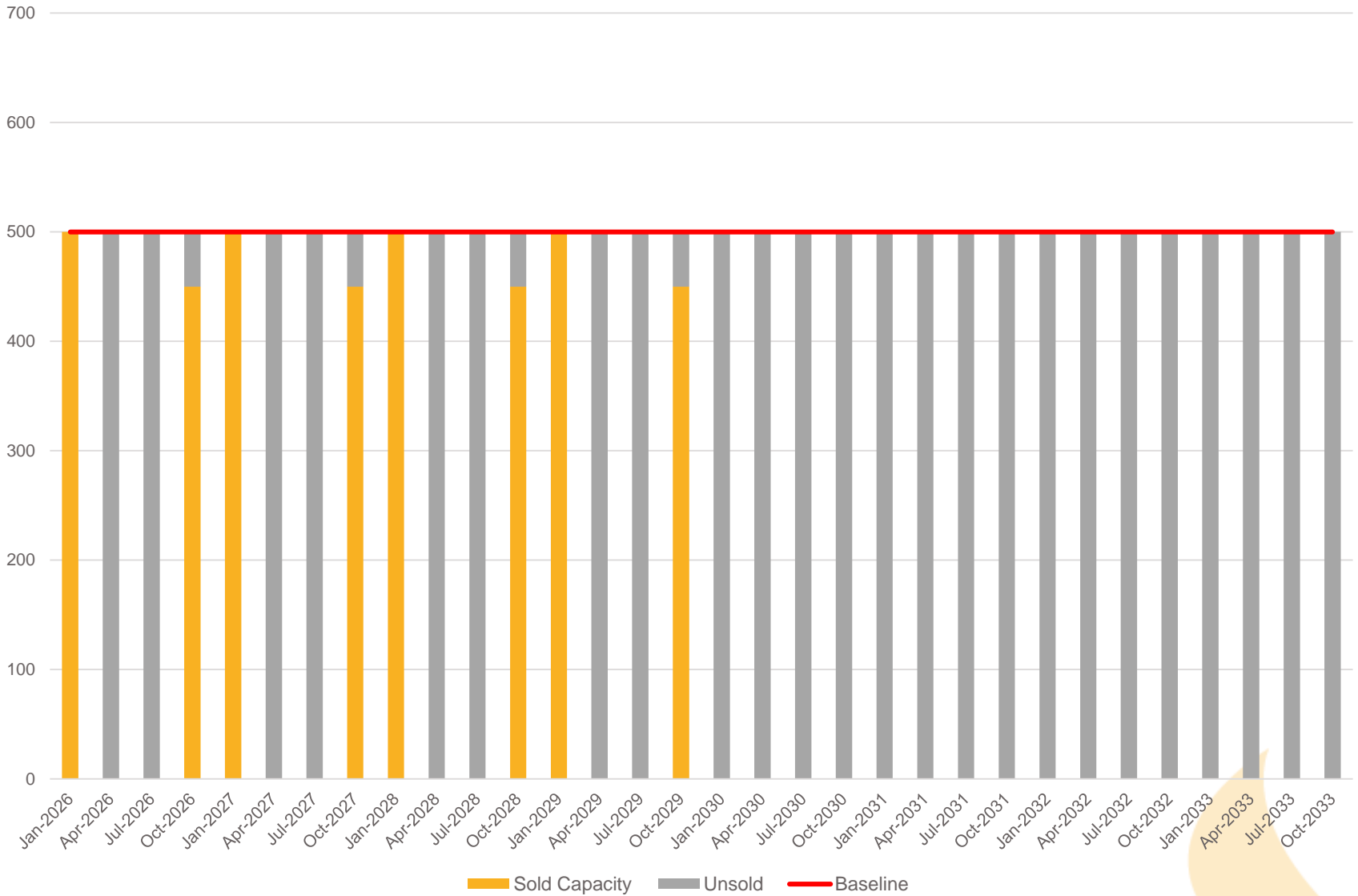
- » Assumptions
 - Project Cost is £140m, therefore the required amount to be signalled to pass the NPV test is a minimum of £70m
 - Reserve Price used are from original 0621 CWD Model
 - If required to pass the NPV test a premium has been calculated and added to the reserve price
 - Incremental capacity (reserve price and premium) and the premium applied to any unsold contribute towards the NPV test
 - Booking profiles can be seen in the charts in the appendix



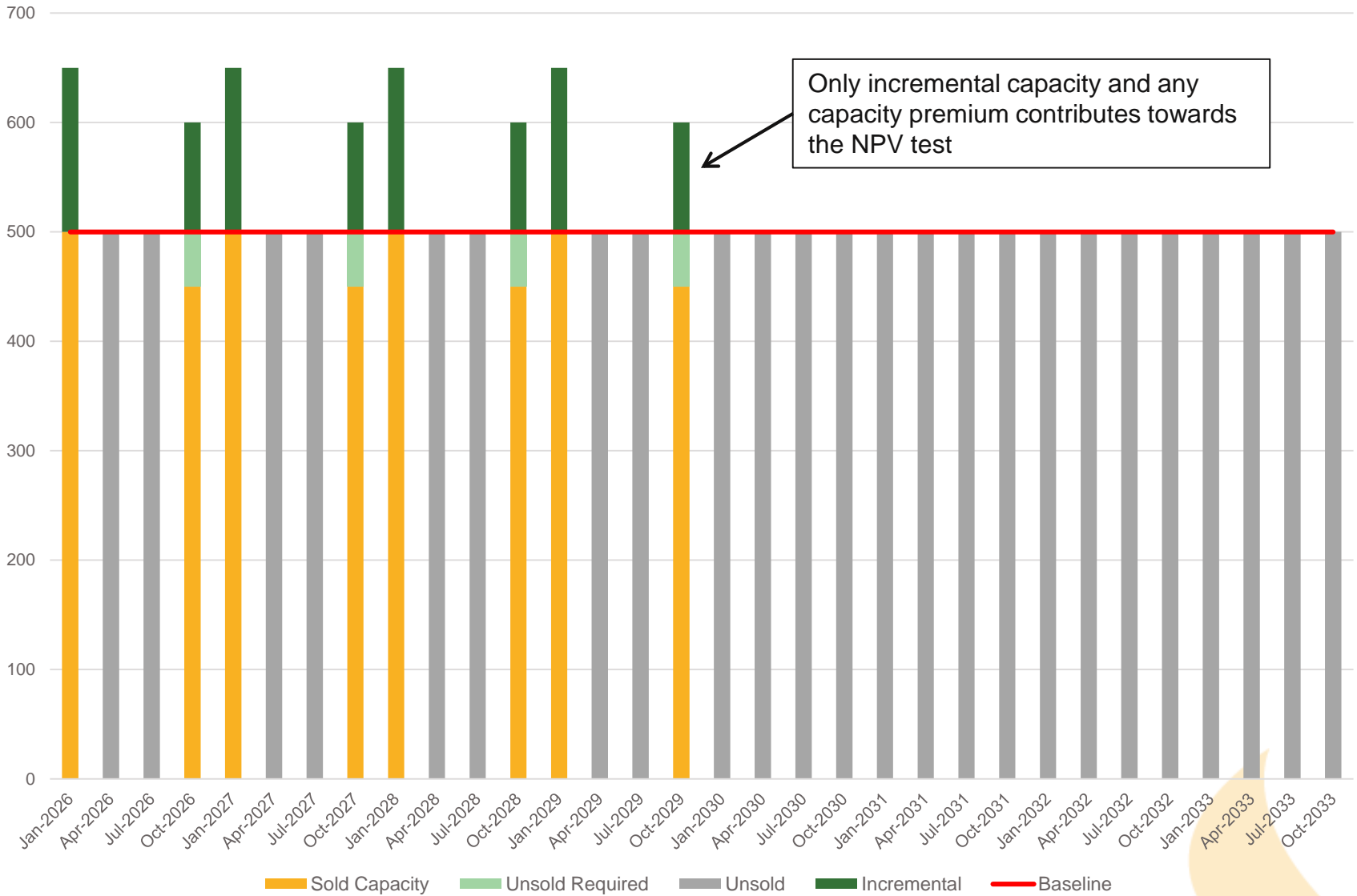
Appendix

Capacity Profiles

Appendix: Capacity Profile



Appendix: Modification 0667 Booking Profile



Appendix: ECRM Proposal Booking Profile

