



**UNC Mod 61:**

**Facilitating further demand-side response in the event that a Gas Balancing Alert is triggered [Qualified Support]**

**UNC Mod 62:**

**Introduction of a Gas Balancing Alert [Qualified Support]**

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**Firm Load Shedding:**

Industrial firm load shedding with no compensation is supposed to be a last-ditch attempt to prevent a full scale emergency. If the market is functioning properly it should only occur once beach, storage and interconnector deliveries are at maximum and commercial interruption contracts have been interrupted. Industrial firm load is relatively stable throughout the year and easily forecastable. It is the least likely participant in the market to contribute to any sudden supply demand emergencies.

However, it appears that the UK gas market may well not be able to function when supply is scarce. We note that the response has been to impose more and more potential interventionist mechanisms onto the market to try and compensate. One of the interventions will be to protect domestic load by forcing industrial firm load off the system, without compensation as the rules currently stand. This is a potential cross subsidy to domestic load.

Obviously some direct interaction with the market would enable industrials at least to ensure that they are getting the best price for the gas which they have forsaken. It has proved too difficult to solve this one, and instead we have been required to work with shippers to see if they can do this on our behalf.

With the currently tight supply-demand situation the prospect of firm load-shedding has become much more likely. The industry has been discussing ways to allow for an orderly interruption of firm sites, which would allow some compensation for those that do interrupt and to allow other firm sites not be interrupted at all. Corus became involved in this debate with some reservations. Trying to fit some market-related mechanisms to the command and control emergency procedure of industrial firm load shedding was never going to be easy, and so it has proved. The risk for large industrial users is that they are involved in debating a product that allows firm load interruption at a price. This enables all involved to start portraying such an incident as just another market mechanism.

Further, given that the alternative is enforced firm load shedding with no compensation, any price at which we reluctantly “agree” to interrupt is highly unlikely to compensate us for the full loss of manufacturing and hence is not truly “priced” as a gas market mechanism.

## Role of Gas Balancing Alert:

Obviously some direct interaction with the market would enable industrials at least to ensure that they are getting the best price for the gas which they have forsaken. It has proved too difficult to solve this one, and instead we are required to work with shippers to see if they can do this on our behalf.

In this case, prior to the event, the shipper needs to negotiate with the industrial a product that is related to some kind of signal, hence the requirement for a Gas Balancing Alert (GBA). Ultimately, shipper and industrials need to agree some kind of price for this product, or at least a price-sharing formula. Despite the notable exception of a small number of shippers regularly attending meetings and making proposals, we have been rather underwhelmed by the response, and continue to be sceptical that any such product could be in place in time to assist the gas market this winter.

However, the demand-side working group hosted by Ofgem has been meeting regularly to try to put into the regulatory regime a mechanism to allow such a product to work. Whilst we would rather have had regulatory efforts focussed on allowing us to participate directly in the market in times of emergency, we are now where we are.

## Critique of Proposed GBA

Much debate at the last DSWG (sub group meeting 24 October) centred on the amount of discretion that NG NTS would have in calling a GBA. We agree that Industrials have wanted something simple but not inflexible. This is based on common sense. Manufacturing sites across the country, not particularly focussed on one input into their process, need a definite signal that they recognise as a warning to which they need to react.

However, trying to understand how NG NTS should calculate the correct time and basis for a GBA has proved very difficult. Nobody wants a GBA to be triggered unnecessarily by a strict interpretation of a set of inflexible rules. Others were wary of giving NG NTS too much discretion, given the commercial incentives on it. Corus' preference is for a clear GBA signal and discretion for NG NTS in calling that GBA. We had hoped the two modifications released by NG NTS would at least give an option of mainly mechanistic or mainly discretionary, reaching a semi-solution with a set of rules that were clear but allowed for some flexibility. We would have preferred an option for NG to use its considerable operating experience to make these calls with these non-routine decisions assessed subsequently if required at the (now) regularly convened Operations Forum.

Mods 61 and 62 do not achieve what Corus had hoped they would, yet we find that they are slightly better than the status quo. We therefore offer our qualified support to these documents on the basis that whilst not the optimum solution, they do provide end users with some flexibility and framework to progress 'last resort bidding' to prevent a full-scale emergency.

Specifically:

Modification 62:

We can offer qualified support to this, although as already stated, we had been expecting two proposals, one with more discretion for NG NTS. We assume this aspect can be revisited once the initial framework has been instated (which needs to be done without further delay).

We understand that in the event of a rapidly deteriorating situation, ANS alerts providing within day warnings, will now be additionally available to consumers, as well as shippers, via National Grid's enhanced daily summary web-page. The only further circumstances National Grid propose to issue a within day GBA however is in the event of a sudden aggregate supply loss of 25 mcm. We can see no good reason for National Grid not using its wider discretion in releasing a within day GBA if without it the likelihood of a gas emergency was increased.

Modification 61:

The detail to this proposal has been added very late in the day and has benefited from little discussion. At this stage, end users must rely on NG NTS's confidence that it can make this aspect work.

We understand the proposal to enable multi-days bids and OTC trades is designed to maximise the routes and methods to market for end users. Without their provision the existing framework could be deemed a barrier to firm load shedding.

**Corus Energy Supplies**  
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