Milford Haven Risk

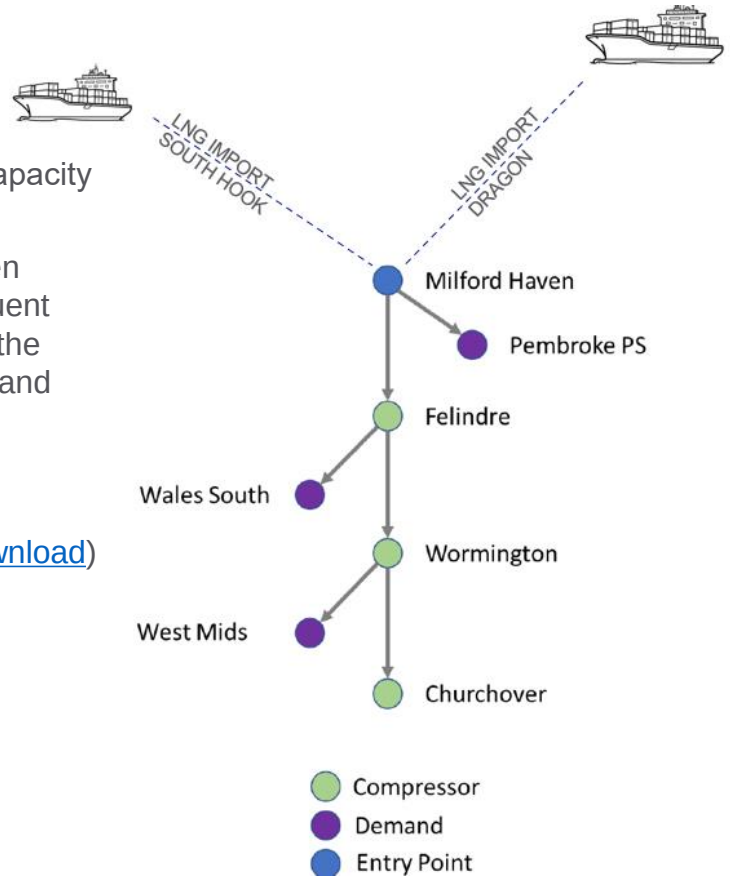
Transmission Workgroup
9th June 2022

nationalgrid

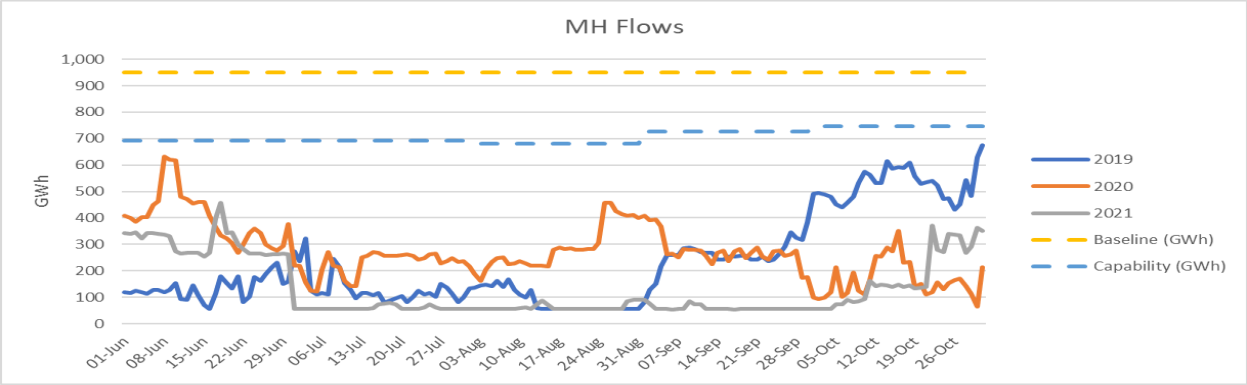
ECR change proposal

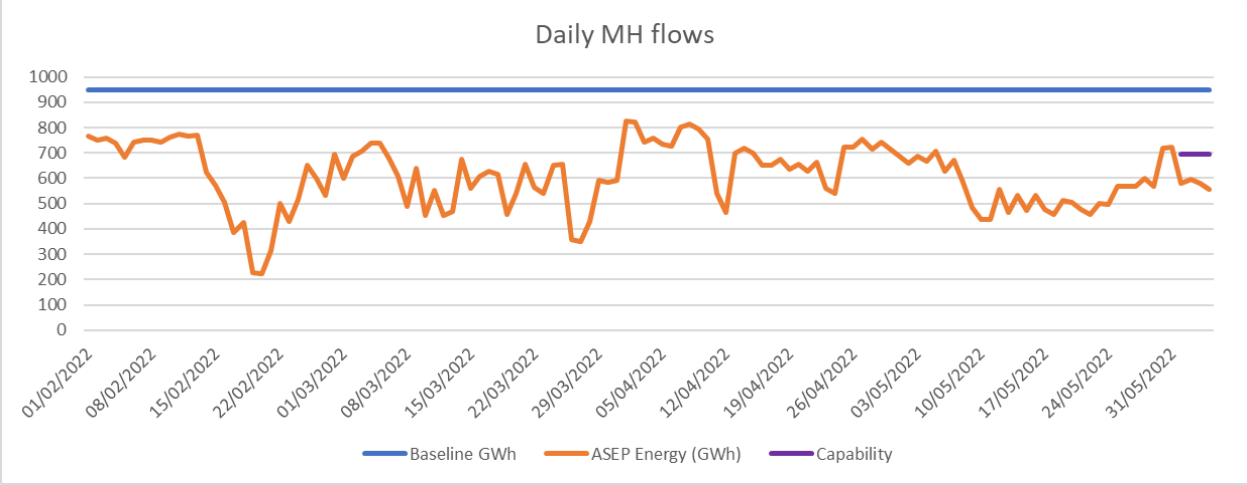
- On 9th May Ofgem approved the proposed changes to NGG's Entry Capacity Release Methodology Statement.
- National Grid can now release less Firm entry capacity at Milford Haven between June and October 2022 in the monthly auctions, and subsequent weekly and daily auctions. Capability is then reassessed to determine the release of any additional capacity that can be supported in the weekly and daily auctions.
- In addition, on a weekly basis (aligned to the weekly auction periods) capability and capacity for release are being published at: (https://www.nationalgrid.com/gas-transmission/document/139651/download)

Month	Capability mcm/d	Capability kWh/day
June	63	693,000,000
July	63	693,000,000
August	62	682,000,000
September	66	726,000,000
October	68	748,000,000



Historic v recent flows





*May 2022 data is not closed out

Options	Pros	Cons
1. Do nothing	Full baseline capacity available, commercial constraint management tools in place No direct impact on cargo delivery schedule No changes or consultation required	Increased risk of high constraint management costs if capacity is sold up to baseline and flows above capability materialise. These costs would be passed on to customers and ultimately end consumers. Uncontrolled impact and uncertainty
2. Develop summer /seasonal Entry baselines *One or all ASEP? Periodic or enduring?*	Reduced risk of high constraint management costs (which would be passed on to customers and end consumers) Commercial constraint management tools are in place Transparent process which is consulted on Change at 1 ASEP could be considered ~~as~~ a trial	Requires a Licence change/ usually part of the price control deliberations Significant effort to conduct the analysis and time spent on consultation Could require system development Might create a perception of scarcity of capacity Would reduce potential for substitution If considered for all ASEPs the timeline would be longer
3. Temporarily restrict capacity/ release in line with capability levels	Could be implemented for summer 2022 Reduces risk of high constraint costs being passed on to customers and end consumers Provides certainty of entry capability	Impacts on customers Creates perception of capacity scarcity Potential industry concern

Options	Pros	Cons
4. Agree cargo delivery plan	Would support maximising flows up to capability throughout the summer and reduce the risk of high constraint management costs Would potentially limit impact on cargo delivery schedule (no cancellations / delays) Capacity would be traded at reserve price (premium not applicable)	Competition law likely to make this option not viable Potential impact on commercial contracts and customers Might not be favoured by all parties operating at the terminal Could be complex / lengthy timeline if agreement to be legally bound Reduces flexibility, might have further impact on the market
5. Option contracts	Existing commercial tool to enable management of constraint risk Could provide some financial compensation for any cargo delays / cancellations	Potential high costs to the industry (even if contracts not executed) Risk of inefficiency due to uncertainty of flows Not a solution for every eventuality Insufficient lead time to place contract(s)
6. Investment in the physical network	Would increase summer capability and enable higher flows Full baseline capacity available, commercial constraint management tools in place No direct impact on cargo delivery schedule	Long term project would not be in place for summer 2022 Uncertainty over 'economic and efficient' aspect of investment (i.e. no certainty how far into the future high summer flows will continue)
7. Changes to capacity products and constraint management tools	Open and transparent process Opportunity for industry to shape proposals	Timeline to develop a proposal, change UNC and amend processes and systems

Future considerations

Factors to consider for potential solutions going forward:

- geopolitics – are we going to continue seeing the same level of flows?
- timing – can the change be delivered in time for summer 2023?
- maintenance – likely to impact capability next year
- bookings and flows this summer
- applicability to one or all Entry Points (due or undue discrimination)
- specifics related to cargo supply logistics
- cost v benefit (to LNG parties / rest of the industry / end consumer)

nationalgrid