

## Mod 435



Malcolm Arthur - 16/11/2012

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## Service provided

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- What service is being procured?
  - National Grid cannot contract directly with demand side for gas
  - Below is an extract from the Gas Act - Section 5.
  - *Subject to section 6A below and Schedule 2A to this Act, a person who—*
    - (a) *conveys gas through pipes to any premises, or to a pipe-line system operated by a public gas transporter;*
    - (b) *supplies to any premises gas which has been conveyed to those premises through pipes; or*
    - (c) *arranges with a public gas transporter for gas to be introduced into, conveyed by means of or taken out of a pipe-line system operated by that transporter,*  
  
*shall be guilty of an offence unless he is authorised to do so by a licence.*

## Service provided

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- What service is being procured?
  - National Grid cannot contract directly with demand side for gas
  - Option fee must be for something else:-
    - Availability of interruption
    - Back up facilities
    - Interruption (is there a limit on frequency)
- What is the exercise price paying for:
  - Is this paying the demand side party?
    - Still need to pay for the gas

# Service provision

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**System**

**Gas demand**



# Service provision

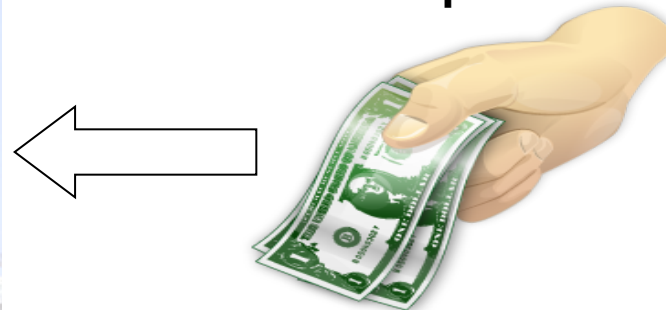


**Gas that would have been used now in the system – what price should be paid for this gas?**

**Gas demand reduced**



**Exercise price at VoLL?**



## Service provided

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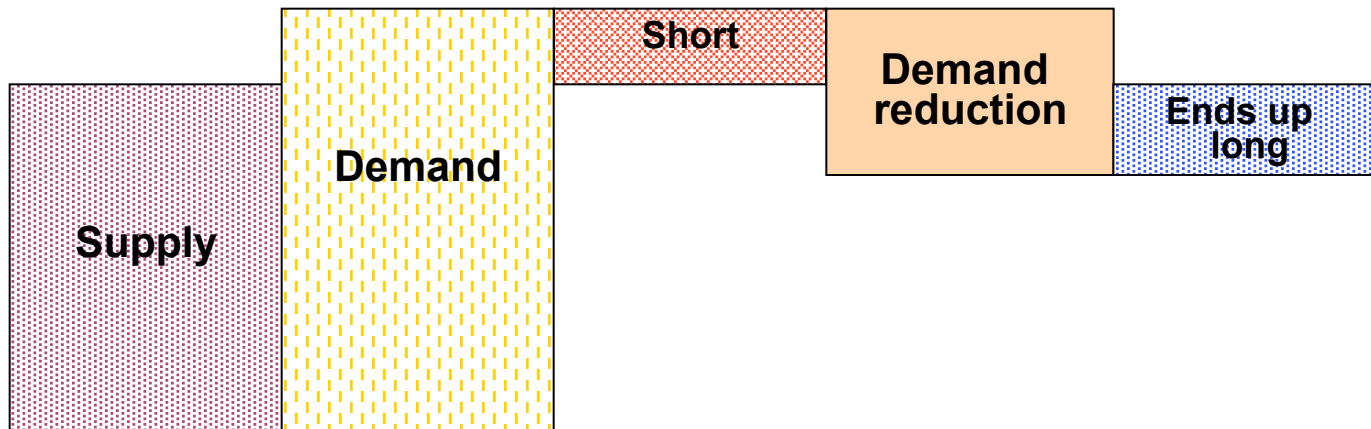
- Put onto the market
  - At what price?
  - What if it is not accepted?
- Shipper goes longer or less short
  - Gas effectively paid at System Sell / System Buy
- Administered price
  - 30 day average SAP
- Included in the exercise price and no extra cost of gas

# Service provision

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- What happens to the market length of shippers that have gas interrupted?

## Potential impact of interruption on shippers market length





## Service provided

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- Need to consider what payments non contracted demand side parties receive if interrupted in a Stage 2+
  - Rejected tenders
  - Parties that did not tender

## DSR Volume



16<sup>th</sup> November

# Volume calculation

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**Emergency is a supply / demand imbalance**

**What supply assumption  
do you use?**



**What demand assumption  
do you use?**

**What demand is  
being secured?**



**What supply failure  
has occurred?**

## Volume calculation

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Projected flow



What volume do providers include in their tender?



Capacity

## Eligibility

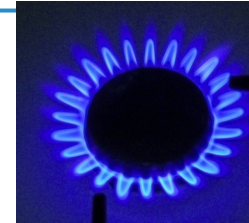


16<sup>th</sup> November

# Eligibility



Minimum number of times per year



Just open to demand turn down?



Availability e.g. must be available 75% of the time

99.999 %

99.99 %  
99 % 99.9 %  
99.9999 %



Must be able to fully respond within 2 hours?



## Questions

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- Any Questions?



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