

**Revision of the Post-Emergency Claims Arrangements
Proposed Business Rules**

Appendix 4

Prevailing Emergency Claims Arrangements

1.1 UNC Section Q.4.2.6 states;

*“Where a User (the **“claimant”**) believes that it will suffer a financial loss by reason of being paid only the relevant price in respect of any gas delivered to the Total System on a Day during a Gas Deficit Emergency (at Stage 2 and higher) (but not in respect of a quantity of gas which exceeds the amount of the claimant's Daily Imbalance if any under paragraph 4.2.2(a)).”*

- The Claimant is required to submit a claim.
- Provide details regarding the basis for the claim.
Claim is only relevant to gas delivered on the GDE day over and above gas daily balance.
- National Grid NTS will appoint a claims reviewer.
- The Claimant will make available information and cooperate with the claims reviewer.
- The duration of the claims process is not defined.
- Ofgem may review the claim and determine whether it should be approved (paid).

Payment to claimant and recovery of costs

- Following consultation with the Authority, and the Claimant, Under Licence Condition A11(18) the Authority may approve the claim, National Grid NTS will pay the Claimant the amount advised by the Claims reviewer.
- National Grid NTS will recover any cost for claims as if it were a **Market Balancing Action Charge** payable to National Grid and then recovers these costs through Balancing Neutrality (ref Q4.2.5). Costs are therefore smeared in proportion to shippers' physical throughputs on the relevant gas day (the GDE day).
- National Grid NTS will recover the fees and costs of the claims reviewer through the **Monthly Adjustment Neutrality Costs**.

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Proposed Business Rules (in addition to Section Q.4.2.6)

In order to submit a post-emergency claim to National Grid NTS for payment:

2.0 During a Gas Deficit Emergency (Stages 1 – 4)

2.1 In relation to each relevant Gas Day for which a User wishes to submit a Post-Emergency Claim: it must have posted a Market Offer (in relation to a Gas Deficit Emergency being declared by the NEC) to effect a Physical Market Transaction (to make a Disposing Trade Nomination) on the Trading System *prior* to a Stage 5 (Restoration) being declared by the NEC, for Users that:

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- a) have been able to source additional gas supplies above their relevant demand, i.e. through emergency instructions from the NEC to maximise supplies (Stage 1+).
- b) have effected demand-side interruption of interruptible or firm DM loads prior to receiving instruction from the relevant transporter upon direction from the NEC to enact Emergency Curtailment at that Offtake and the initiation of the ECQ process.

2.2 Pursuant to 2.1, the User;

- a) For the purposes of this Section Q, a User shall state the Market Transaction Lead Time as one (1) hour when placing a Physical Market Offer.
- b) Shall state the Physical Market Offer Specified Quantity and not the Physical Market Offer Specified Rate;
- c) Shall specify that the Physical Market Offer is not an Option Market Offer (linked offers) and;
- d) May indicate that the Physical Market Offer is capable of partial acceptance.

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2.3 The Physical Market Offer must remain on the Trading System for the duration of the Gas Day declared as a Gas Deficit Emergency unless the Physical Market Offer has been taken as an Acquiring Trade Nomination by an Accepting Participant.

2.4 During a Gas Deficit Emergency (Stages 1 to 4) where a Physical Market Offer has been posted in accordance with this Section Q, and has been taken by an Accepting Participant;

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- a) The payments/charges will be fully cleared by the Trading System Clearer.
- b) The Originating Participant shall;
 - i) Submit a Contract Renomination in accordance with UNC Section D.5.2.3.
 - ii) Notify National Grid NTS when a Contract Renomination revises a System Exit Point Nomination (or renomination), indicating it is no longer off-taking gas at that System Exit Point for the remainder of that Gas Day

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- c) For the avoidance of doubt, National Grid NTS will not accept a Post-Emergency Claim relating to a Physical Market Offer that has been taken by an Accepting Participant.

- 2.5 The Trading System Operator will provide the market with a ~~an~~ calculation of an indicative ~~volume~~ weighted average price of all Physical Market Offers during the relevant Day of the Gas Deficit Emergency. ~~The~~ *indicative* volume weighted average price will be updated ~~and published on the relevant Day~~ by the Trading System Operator on a reasonable endeavours basis whenever a Market Offer (Physical Market) is registered, updated, withdrawn from or, accepted on, the Trading System.

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3.0 Post Gas Deficit Emergency

Trading System Operator

- 3.1 The Trading System Operator will notify National Grid NTS of the details of all Physical Market Offers that were remaining on the Trading System at the close of the Gas Day(s) for the duration of the Gas Deficit Emergency period.

- a) These details will include;
- Identity of the Originating Participant;
 - Market Transaction ID;
 - Market Offer Date;
 - Market Offer Timestamp (Date-Time);
 - Market Offer Specified Quantity;
 - Market Offer Price;
 - Market Transaction Type and;
 - Whether the Originating Participant had posted as an Acquiring or a Disposing Market Offer;

- b) The Trading System Operator will submit the details of the Physical Market Offers posted but not accepted for the relevant Day to National Grid NTS by 7am on the Day following each relevant Gas Day for which a Gas Deficit Emergency Stage 2 or more had been declared.

Post-Emergency Claims - validation rules

Claims submission:

- 3.2 A User may submit a Post-Emergency Claim to National Grid NTS where the Network Emergency Co-ordinator (NEC) had declared a Gas Deficit Emergency Stage 2 or more for the period that the claim relates to;

- a) ~~Each~~ Post-Emergency Claim will relate to a single Physical Market Offer, relevant to a Gas Day within a Gas Deficit Emergency Stage 2 or more that was registered on (but not taken or, withdrawn from) the Trading System before the end of duration of the relevant Gas Day of the Gas Deficit Emergency; prior to the NEC declaring a Stage 5 emergency (restoration).

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- b) A User shall submit a Post-Emergency Claim to National Grid NTS within six (6) Days following the Gas Day to which the Post-Emergency Claim relates; the 'Post-Emergency Claims Closeout Date'.

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c) Any Post-Emergency Claims received by National Grid NTS after the Post-Emergency Claims Closeout Date will be rejected.

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3.3 For each Post-Emergency Claim (for each relevant Gas Day), the User will provide the following mandatory details of;

- a) Shipper Name/User-ID; Market Transaction ID; Gas Day; claimed quantity; offer price, time posted on the market.
- b) The Eligible Trading System Point(s) that would have been associated to the Market Offer(s) had it become a Physical Market Transaction.
- c) For each Eligible Trading System Point provided in (b), the nominated end-of-day quantity for that Gas Day (at the time the offer was placed).
- d) For each Eligible Trading System Point that would have been associated to a System Exit Point, a copy of the notification pertaining to either; the reduction of offtake at Firm Supply Points or Interruption Notice (P70/P71 notifications).

For the avoidance of doubt, an emergency claim will be rejected where the System Exit Point had been previously subject to an ECQ notice for the relevant Gas Day during the period of the Gas Deficit Emergency.

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- e) Justification for the level of the Market Offer Price.

Claims validation:

3.4 National Grid NTS will appoint the Transporters' Agency as the **Post-Emergency Claims Agent** to undertake the validation of the claims (rules 3.5 to 3.11).

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3.5 A Post-Emergency Claim (price and quantity) must relate to a Physical Market Offer(s) remaining on the Trading System at the end of the relevant Gas Day of the Gas Deficit Emergency; prior to the NEC declaring a Stage 5 (restoration).

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3.6 The User must have a surplus Daily Imbalance quantity for the relevant Gas Day(s) that was declared as a Gas Deficit Emergency (Stage 2+) to be allowed to submit a Post-Emergency Claim for that Day.

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3.7 Where a User submits a single Post-Emergency Claim for a relevant Gas Day (within a Gas Deficit Emergency), and the Market Offer Specified Quantity exceeds the User's Daily Imbalance quantity surplus for that Day then;

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- a. the Market Offer Specified Quantity will be scaled-back to the User's surplus Daily Imbalance quantity for that Day
- b. for the avoidance of doubt, the Claimant will receive payment based on the scaled-back Market Offer Specified Quantity in the event the Post-Emergency Claim is valid.

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3.8 Where a User submits multiple Post-Emergency Claims for a relevant Gas Day (within a Gas Deficit Emergency), and the aggregate Market Offer Specified quantities exceeds the User's Daily Imbalance surplus then;

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- a) The aggregate Market Offer Specified quantities will be scaled-back to the User's surplus Daily Imbalance quantity for that Day.
- b) The order in which the Market Offer Specified quantities will be scaled-back is based on descending Market Offer Price order (highest priced quantities excluded first).
- c) For the avoidance of doubt, the Claimant will receive payment based on the remaining Market Offer Specified quantities / prices after the scale-back has taken place.

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3.9 A Post-Emergency Claim will be rejected where a User registered a Market Offer (based on timestamp) on the Trading System;

- a) and the Eligible Trading System Point related to a System Exit Point after the time at which the Network Emergency Co-ordinator had declared a Gas Deficit Emergency; Stage 4 (Allocation and Isolation) and/or;
- b) after the time at which the Network Emergency Co-ordinator had declared a Gas Deficit Emergency; Stage 5 (Restoration) and or;

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c) The User is not a Registered User at the relevant System Point

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Post-Emergency Claim Price validation:

Determination of the Economic Price Assessment Trigger

3.10 All 'valid' post-emergency claims will be stacked in descending price and Market Offer Timestamp order.

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3.11 Sum the claimed quantities of all valid post-emergency claims in the stack.

3.12 Multiply the aggregated claimed quantities by 80% to obtain the trigger (volume): the **"Economic Price Assessment Trigger"**.

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3.13 Aggregation of each claimed quantity (lowest priced within timestamp first) within the stack:

- All stacked Post-Emergency Claims whose volume in aggregate is priced below the Economic Price Assessment Trigger e.g. within the 80%, will be assigned a status of 'deemed approved' (for payment).
- Remaining claims will be assigned a status of requiring 'subject to economic price assessment' (prior to payment).
- A claimed quantity might be split by the trigger in which case the whole claim will be assigned a status of 'subject to economic price assessment'.

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Review of Post-emergency Claim prices

3.14 National Grid NTS will submit **all** those validated post-emergency claims (below and above the Economic Price Assessment Trigger) together with their status, to the Authority for its oversight (TPD Section Q.4.2.6 (e)) in a single batch on a given date: the 'Post-Emergency Claims Review Date'.

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a) This date will be 10 working days after the M+15 allocation close-out - this is required in order to validate the claimed quantities.

b) For the avoidance of doubt, where a single Gas Deficit Emergency occurs over multiple Billing Periods, National Grid NTS will progress and submit validated Post-Emergency Claims to the Authority in batches that are specific to each of the Billing Periods.

3.15 Post-Emergency Claims submitted for review and/or requiring an economic price assessment will be carried out under the instruction of the Authority.

3.16 For each relevant Gas Day and under Licence Condition A11(18) the Authority may approve each Post-Emergency Claim following which National Grid NTS will arrange payment to the Claimant(s) of the amount approved by the Authority.

3.17 In the event National Grid NTS does not receive notification to the contrary within 28 days, it will assume that all those submitted claims have passed the Post-Emergency Claims price review and, are deemed valid for payment.

3.18 Where a Post-Emergency Claim price has passed has the Post-Emergency Claims Review, the User will receive the claimed price (less the applicable SAP on the Gas Day relevant to the claim).

3.19 Where a Post-Emergency Claim price has 'failed' the Post-Emergency Claims Review, National Grid NTS will inform the User of the reason and dependent on the direction from the Authority;

a) The User may receive payment (less the applicable SAP) of the claim based on the next available (approved) Post-Emergency Claim that is priced immediately below that of the 'failed' Post-Emergency Claim.

Or:

b) In the event that it is the only valid Post-Emergency Claim that had been submitted to National Grid NTS, the User would receive a scaled-back claim price (less the applicable SAP) based on a Physical Market transaction (trade) that had been accepted on the OCM for the relevant Gas Day; and whose Market Offer Price was immediately below that of the 'failed' Post-Emergency Claim price.

Or;

c) The User would receive no further payment.

3.20 Under the UNC General Terms Section A – Dispute Resolution, a User may appeal the decision provided under rule 3.19.

4.0 Emergency Claims/Neutrality process:

For each relevant Gas Day that occurred during a National Gas Supply Emergency, Gas Deficit Emergency Stage 2+:

4.1 National Grid NTS will, after 29 days following the Post-Emergency Claims Review Date: the 'Post-Emergency Claims Approval Date', calculate a

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volume weighted average price (VWAPEC) based on all those relevant Post-Emergency Claims that have passed the economic price assessment. VWAPEC would be calculated taking into account any 'scaled-back' prices (less the applicable SAP on the relevant Gas Day) and/or scaled-back quantities.

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- 4.2 All valid Post-Emergency Claims will be cleared through the 'Emergency Claims Neutrality' process detailed below and invoiced through the Balancing Neutrality processes.

- 4.3 The *Volume Weighted* average price of all valid Post-Emergency Claims ('VWAPEC') for the relevant Gas Day will be derived as;

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- a) Calculate the total quantity (kWh) of all relevant and valid Post-Emergency Claims;

$$A = \sum \text{Post-Emergency Claims offer quantities}^1 \text{ (kWh)}$$

- b) Calculate the 'Emergency Claims Total Costs' of all relevant and valid Post-Emergency Claims;

$$B = \sum \text{emergency claims } ((\text{Market Offer Price}^2 - \text{System Average Price (Stage 2+)}) * \text{offer quantities}^3)$$

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- c) Calculate the Volume Weighted Average price of the relevant and valid Post-Emergency Claims as;

$$\frac{B}{A} = \frac{(\text{£/kWh})}{100} = \text{VWAPEC (p/kWh)}$$

- 4.4 A User with a Daily Imbalance deficit will incur a 'Post-Emergency Claims Charge' for the relevant Gas Day, calculated as;

User Daily Imbalance Deficit Quantity multiplied by VWAPEC

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Emergency Claim
Neutrality Charge

- 4.5 A User that submitted a valid Post-Emergency Claim will receive a 'Post-Emergency Claims Payment' based on (Market Offer quantity⁴ * (Market Offer Price² – System Average Price)) for the relevant Gas Day.

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- 4.6 The Post-Emergency Claims Charge and the Post-Emergency Claims Payment for the relevant Gas Day will be invoiced in accordance with UNC Section S 2.4 (Ad-hoc Invoice) and will be treated as Balancing Neutrality Charges.

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- 4.7 Any over- or under-recovery of the Emergency Claims Total Costs will be apportioned through the Energy Balancing Neutrality process for the relevant Gas Day and will be treated as Balancing Neutrality Charges.

¹ Scaled-back where appropriate as a consequence of rules 3.7 or 3.8

² Where appropriate taking account of rule 3.8.

³ Scaled back where appropriate as a consequence of rules 3.7 or 3.8.

⁴ Where appropriate taking account of rule 3.8.

⁵ Where appropriate taking account of rule 3.19.

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5.0 Information Provision

For each relevant Gas Day (Stage 2+) that was declared by the Network Emergency Co-ordinator, as a Gas Deficit Emergency, the following information will be published:

- a. For each Post-Emergency Claim *submitted*: Gas Day, Quantity, Price, volume weighted average price of all submitted claims; (published by Emergency Claims Closeout Date + 10 working days)
- b. For each valid Post-Emergency Claim: Gas Day, Quantity⁶, Price, volume weighted average price of all valid Post-Emergency Claims; (published by M+15 days + 11 working days)
- c. For each *rejected* Post-Emergency Claim: Gas Day, Quantity, Price, reason for rejection. published by Emergency Claims Closeout Date + 10 working days)
- d. Published by Post-Emergency Claims Approval Date +15 working days:-
 - Report: for each relevant Gas Day, all Post-Emergency Claims that have been approved for payment
 - I. By claim; Price⁷, Quantity⁸ and total cost;
 - II. Summary: total quantity and costs of all paid claims and VWAPC;
 - Report: for each relevant Gas Day, all Post-Emergency Claims that failed the economic price assessment; price and quantity.

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The publication of Post-Emergency Claims information is to be defined and agreed within the Transmission Workstream.¶

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⁶ Scaled back where appropriate, as a consequence of rules 3.7 or 3.8.

⁷ Taking into account any scaling-back of quantity; report the claimed & scaled-back quantity

⁸ Taking into account any scaling-back of price; report claimed & scaled-back price

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<i>marginal price pertaining to the economic price assessment trigger e.g. 80% volume price. Or;</i>		
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highest priced (less the applicable SAP)		
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