

Gas Day MOD 541

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Using Gazprom's "Mod 541 Cost-Benefit Analysis" on 6-Oct-2015, as a basis, some additional points need to be considered:

1) Current Neutrality Exposure – 6-6 Terminal Shippers vs 5-5 Terminal Shippers

That the current Neutrality methodology exposes Shippers who purchase gas at 6-6 terminals and benefits Shipper who purchase gas at 5-5 terminals.

2) Additional Capacity Exposure

That Shipper will be subject to additional capacity exposure and that this value should be added to Gazprom's figures.

* Scheduling not included as extremely difficult to calculate potential exposure – however exposure will only increase

Current Neutrality Exposure – 6-6 Terminal Shippers vs 5-5 Terminal Shippers

The change of the Gas Day now creates additional exposure under the neutrality rules for Shippers at 6-6 terminals compared to Shippers at 5-5 terminals.

Current Neutrality Exposure

Example

SAP	50p/th
SMBP	51p/th
SMSP	49p/th

Cost (-ve) / benefit (+ve) from a Shipper point of view

5-5 DQ < 6-6 ST	Beach Volume	NTS Entry Volume	NTS entry (claim) Volume	SMBP Volume	Cost per Shipper	Costs System	Neutrality % per Shipper	Neutrality benefit	Benefit/Cost
5-5 Shipper	100	100	100	0	0		50.25%	25.63	25.63
6-6 Shipper	100	100	99	1	-51	-51	49.75%	25.37	-25.63
5-5 DQ > 6-6 ST	Beach Volume	NTS Entry Volume	NTS entry (claim) Volume	SMSP Volume	Cost per Shipper	Costs System	Neutrality % per Shipper	Neutrality cost	Benefit/Cost
5-5 Shipper	100	100	100	0	0		49.75%	-24.38	-24.38
6-6 Shipper	100	100	101	1	49	49	50.25%	-24.62	24.38
								Benefit over the	1.25
								two days	-1.25

Over the two days the SMBP and SMSP volumes cancel each other out but the applicable SMBP and SMSP prices are unlikely to net out with the SMBP likely to be greater than the SMSP over time. Therefore a 5-5 Shipper benefits from Shippers purchasing gas from 6-6 Terminals

Key

Beach	Producer delivers at beach	SMBP / SMSP	Units of SMBP purchase/SMSP sale
NTS Entry	Shipper enters this gas into NTS	Neutrality	Neutrality % of each shipper
NTS Entry (Claim)	Shipper receives this from CVSL Claim2 system		

The 6-6 Shippers will be the only ones putting money into the “neutrality pot” due to the Time Shifted Volumes, yet Shippers at 5-5 terminals receive neutrality benefit. By removing the costs for the Time Shifted Volumes this anomaly would disappear.

Additional Capacity Exposure

There is also the additional capacity exposure for Shippers due to the fact they will not be able to estimate in what direction the Time Shifted volumes would occur. As such Shipper will need to procure additional capacity in order to protect themselves against the capacity overrun charges.

Assuming the 1.17% average volume differential across the sub-terminals* (Gazprom's current analysis) and using DSEC pricing (Notice of Gas Transmission Transportation Charges effective 01-Oct-14) the annual exposure in purchasing entry capacity (for volumes landed during 2014/15) would be £722,814/yr. Whilst on many days this is available as within day capacity for a zero reserve price, this may not always be the case, especially with a potential change to the discount multipliers in the future GTCR.

Shippers would be forced to purchase this additional capacity as they could be exposed to overruns charges, if not, amount to approximately £4.3m/yr**.

* 1.17% of the daily volumes delivered to the following 6-6 terminals: Easington Dimlington, St. Fergus SAGE, St. Fergus Shell, Theddlethorpe, Teesside Amoco, Teesside Enron, Bacton Shell, Bacton Amoco, Bacton Seal.

** overrun calculated using 8x MSEC, at 1.17% at each 6-6 terminal, for half the days in the Gas Year 14/15.

Currently there are potential concerns over Shippers purchasing capacity at the Bacton UKCS entry point, from 01-Nov-15 to cover the additional 1.17% (or greater) that they will be exposed to from 01-Oct-15 in the Qu1 periods – perhaps they will have to shut-in 1.17% of production!

This would, at a minimum, account for an exposure of approximately £115K/yr* .

* overrun calculated using 8x MSEC, at 1.17% at each 6-6 terminal, for half the days in Qu1-14.