0517:

Review of the Supply Matching Merit Order in Setting Capacity Charges

Joint Office of Gas Transporters

Proposer: National Grid Transmission

Panel Date: 16th October 2014

Why change?

- The Merit Order within the Transportation Model was implemented as part of GCM16 in 2009. At the time the Merit Order agreed reflected the preference order of types of deliveries of gas to the network.

- National Grid keep the charging Methodology under review as part of its Licence conditions. Therefore the preference order of the supply source groups should be kept under review to reflect changes in supplies and be consistent with observed flows.

- In recent years there has been a change in the utilisation of Liquefied Natural Gas (LNG) and Mid Range Storage (MRS). We have seen an increase in the use of MRS and a decrease in the amount of LNG that is being utilised. Also both these sources have been utilised on a cold day in recent years.

Proposed Solution

- It is proposed to amend UNC TPD Section Y – Section 2.5.1 (c) to ensure that the Merit Order specified in the UNC is reflective of how supplies are currently utilised.

- This proposal seeks to amend the Merit Order to combine MRS and LNG into one group within the Merit Order and prorate the supplies (i.e. use an equal percentage of each group to achieve the supply and demand match required) when matching demand in accordance with the process specified in the Methodology.

Recommended Steps

- The Proposer recommends that this modification should be:
  - Not subject to self-governance because it is likely to impact commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes
  - Fast Track Self-Governance does not apply as it is not properly a house keeping modification
  - Workgroup assessment to develop the modification for 2 months
    - *Vast majority of analysis done in "pre-mod" stage and developed over summer with industry*
    - *Due to timing of and publication of prices for the auctions can ensure up to date supply merit order is incorporated into NTS capacity charges as soon as possible*