



**Mod 0149A - Gas Emergency Cashout
Arrangements: Keeping the On-the-Day
Commodity Market (OCM) open during a
Gas Deficit Emergency**

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Mod 0149 & Mod 0149A – A Comparison

Mod 0149 (NG NTS)

- OCM kept open during a GDE
- NG NTS no longer residual balancer
- **New** Cashout arrangements would be applicable in a GDE:
 - If **Short** – Highest Accepted Daily Offer
 - If **Long** – Daily SAP (during GDE)

Mod 0149A (E.ON UK)

- OCM kept open during a GDE
- NG NTS no longer residual balancer
- **Existing** Cashout arrangements would be applicable in a GDE:
 - If **Short** – pre-GDE 'frozen' prevailing SAP
 - If **Long** – pre-GDE 'frozen' prevailing SAP

Rationale behind Mod 0149A

- It is appropriate to keep the OCM open in a GDE to allow parties to ‘trade-out’ their positions – better facilitates competition between Shippers.
- It is not necessary to also change the current Cashout arrangements.
 - In an Emergency, normal market conditions do not apply - financial incentives to balance only work if Shippers have the ability to respond!
 - Market participants will have greater certainty with respect to imbalance cash-out exposures, enabling them to focus on their duty to co-operate with the NEC.
 - Section Q post-emergency claims procedures would apply.

Potential Impact of Mod 0149 – A Shipper perspective

- Once in a GDE, scarcity will drive gas prices extremely high.
- Shippers who suffer from effects of an unforeseen sudden incident (e.g. terrorist attack on a terminal) are 'short' by no fault of their own.
- Any trades on the day will determine the Cashout price – i.e. shipper-to-shipper trades, not current marginal price.
- If a party seeks to obtain price sensitive 'merchant' gas from outside the UK jurisdiction this is likely to set a higher Cashout price and exacerbate his already significant financial exposure.
- Potential to send ANY affected shippers out of business in a short space of time, with consequential 'domino' effect.