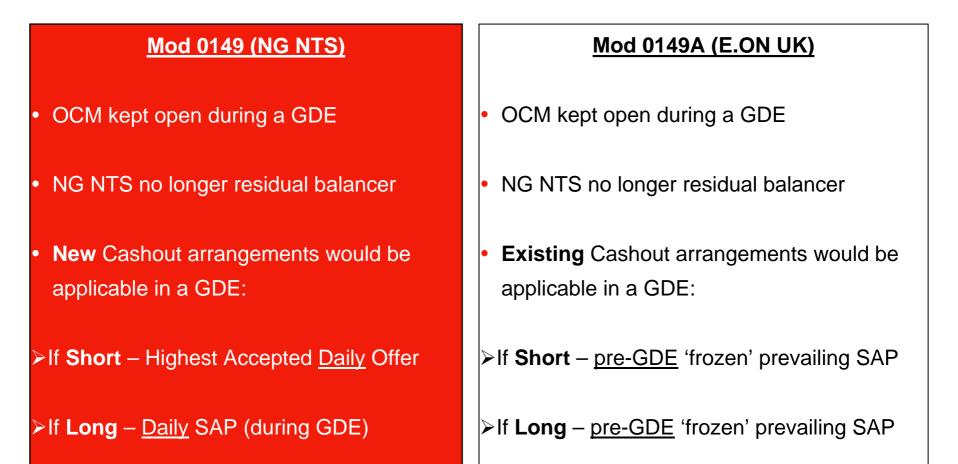


Mod 0149A - Gas Emergency Cashout Arrangements: Keeping the On-the-Day Commodity Market (OCM) open during a Gas Deficit Emergency

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## Mod 0149 & Mod 0149A – A Comparison





## Rationale behind Mod 0149A

- It is appropriate to keep the OCM open in a GDE to allow parties to 'tradeout' their positions – better facilitates competition between Shippers.
- It is not necessary to <u>also</u> change the current Cashout arrangements.
  - In an Emergency, normal market conditions do not apply financial incentives to balance <u>only</u> 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-toshipper trades, <u>not</u> 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.