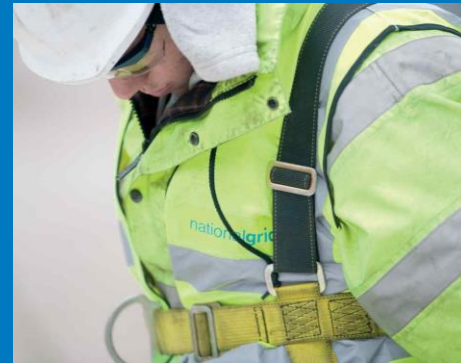


Changes to the Merit Order within the Transportation Model – Updated following NTSCMF on 15th September



Transmission Workgroup
2nd October 2014

Agenda

- Background
- Current Merit Order
- Options for Merit Order
- Analysis

Background

- Current merit order was established as part of GCM16 and implemented in 2009
- It was reflective of the supply utilisation at the time and established through industry consultation
- Merit order has not been reviewed to reflect the changes in the supply utilisation in recent years.
- Merit order in UNC, used in supply matching in the Transportation Model, should reflect up to date supply utilisation patterns
 - Transportation Model calculates Entry reserve prices and Exit capacity charges

Current Merit Order

- Beach Terminals
- Pipeline Interconnectors
- Long Range Storage Facilities
- LNG (Liquefied Natural Gas) Importation Facilities
- Mid Range Storage (MRS) Facilities
- Short Range Storage Facilities

Options for Merit Order

1. To leave merit order as is today with LNG utilised ahead of MRS in supply matching
2. To amend merit order to promote MRS ahead of LNG
3. LNG and MRS grouped together in merit order
4. Use the amount specified against LNG within Winter Outlook Report first then utilise MRS and then remaining amount to LNG

NTSCMF Decision

- Presented Option 2 (High Storage Case) and Option 4 (Amended Base Case) to NTSCMF on 15th September
- NTSCMF requested to also analyse Option 3 (MRS and LNG grouped together) and look at the differences between the reserve prices based on Option 3 (MRS and LNG grouped together) and Option 4 (Amended Base Case)

National Grid Analysis

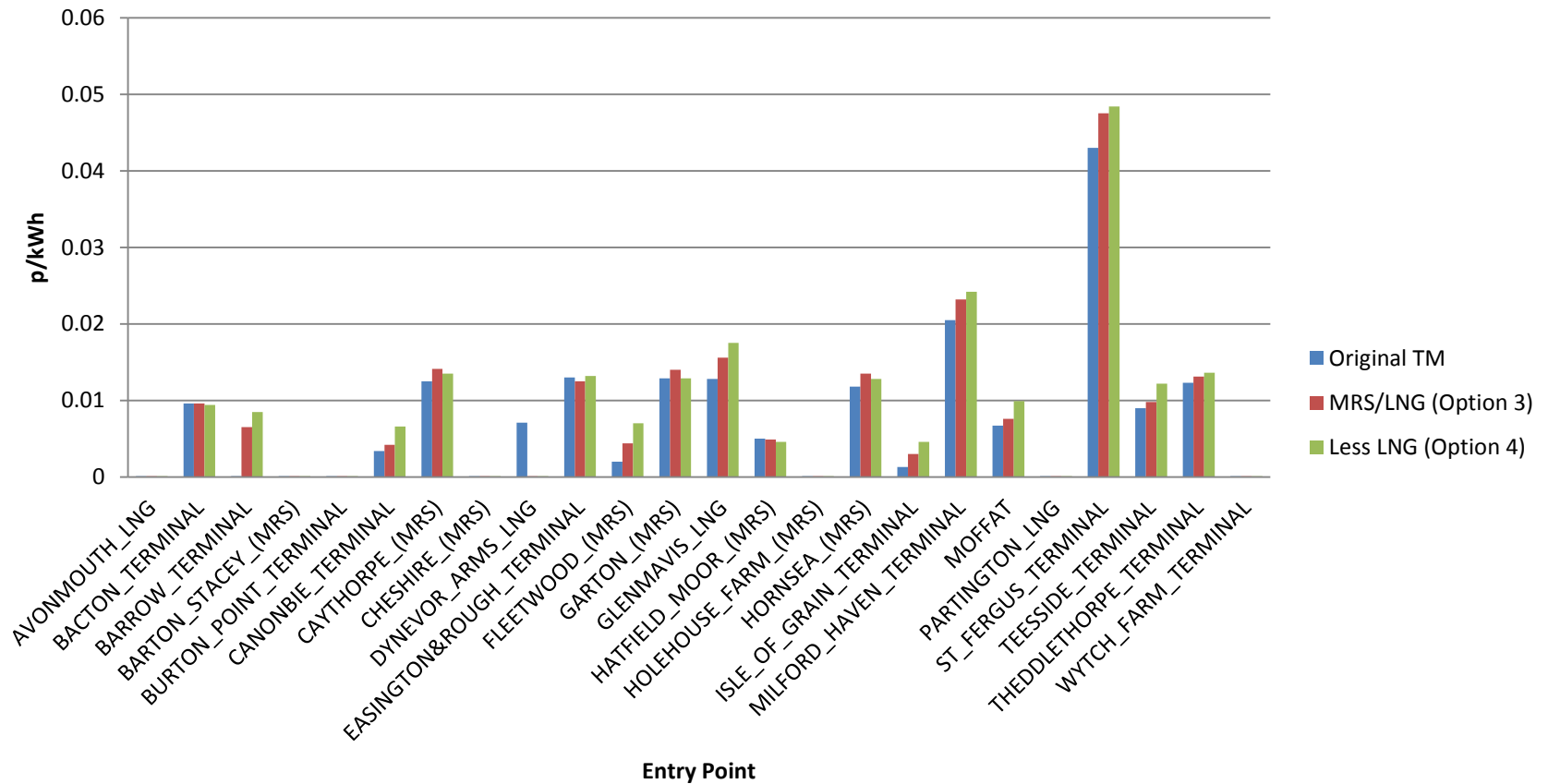
- National Grid have worked through Option 3 and Option 4 based on:
 - QSEC 2014 Transportation Model
 - Winter Outlook Report 2013/14
 - Minimum price still applicable
- And:
 - QSEC 2013 Transportation Model
 - Winter Outlook Report 2012/13
 - Minimum price still applicable

2014 – Comparison of Option 3 and Option 4

- Option 3
 - Values within merit order under Scenario 3:
 - LNG and MRS – 3149.49
- Option 4
 - Original value against LNG was 1334.68GWh
 - Values within the merit order under Scenario 4 set at:
 - LNG – 551.5GWh
 - MRS – 783.2GWh

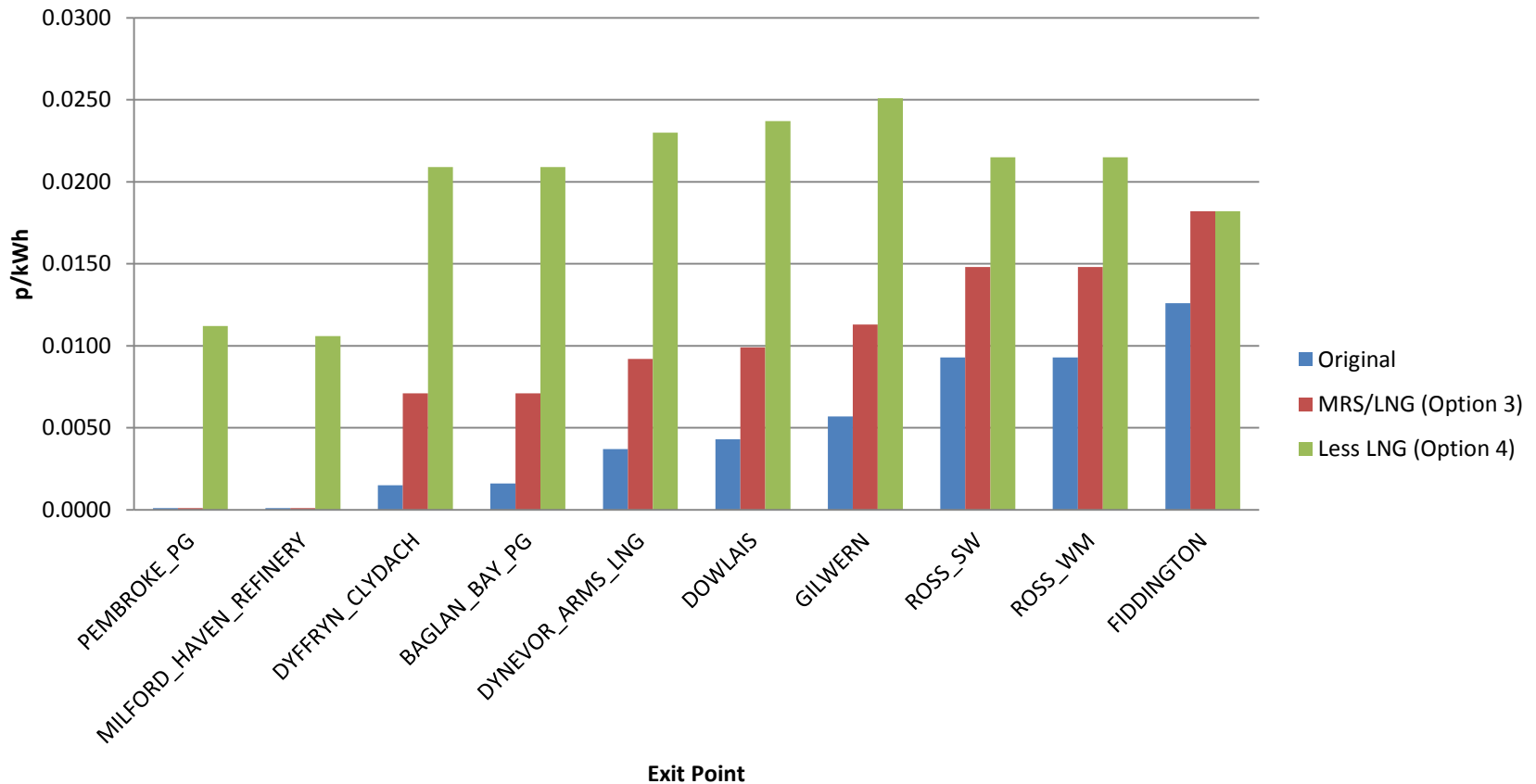
2014 – Entry Results

2014 Comparison of Original, Option 3 and Option 4 reserve prices



2014 – Exit Results (Top 10 increases)

2014 Comparison of Original, Option 3 and Option 4 reserve prices



2013 – Comparison of Option 3 and Option 4

- Option 3

- Values within merit order under Scenario 3:

- LNG and MRS – 3008.10

- Option 4

- Original value against LNG was 1519.70GWh

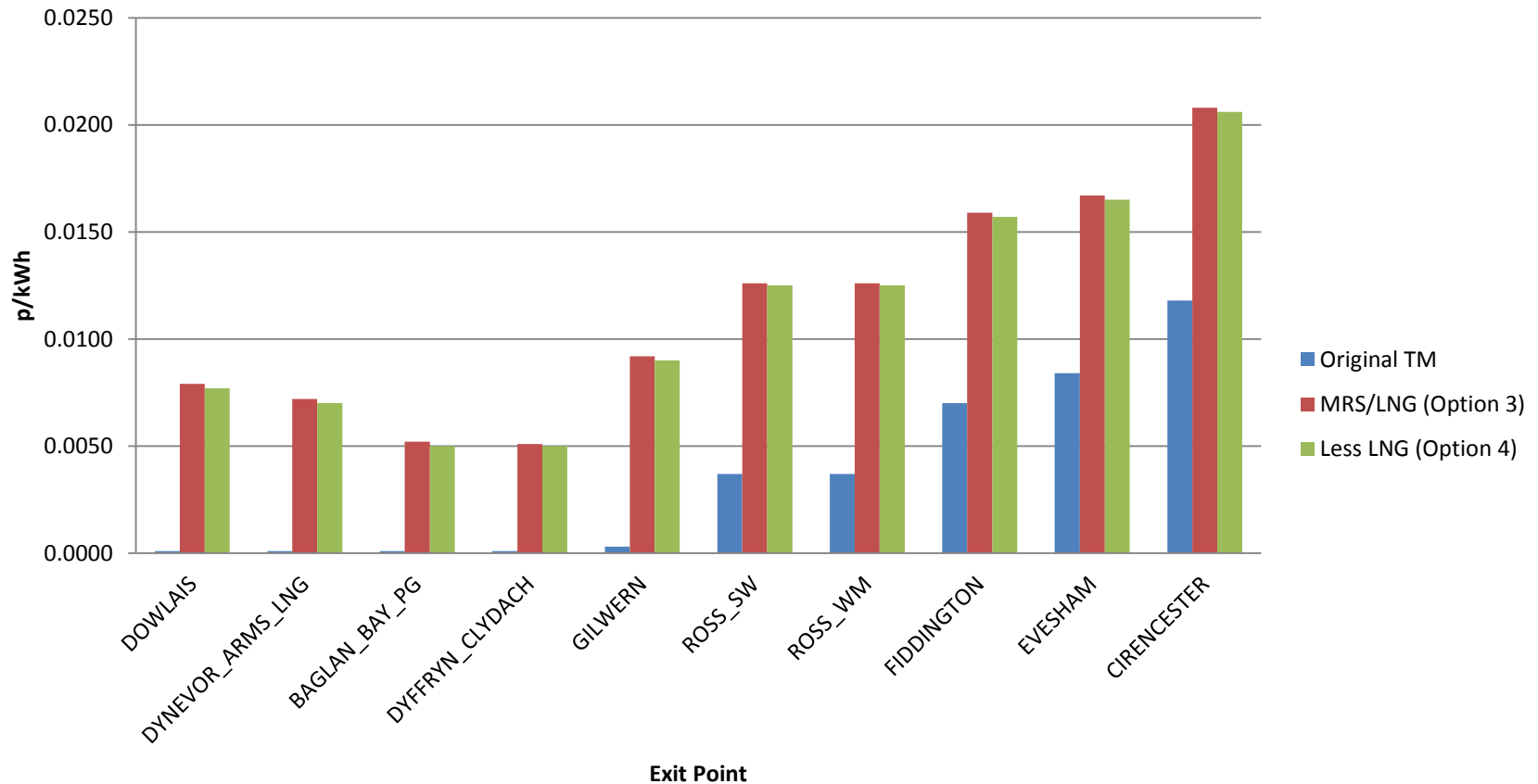
- Values within the merit order under Scenario 4 set at:

- LNG – 881.6GWh

- MRS – 638.1GWh

2013 – Exit Results (Top 10 increases)

2013 Comparison of Original, Option 3 and Option 4 reserve prices



Summary



Summary

- Analysis shows:
 - Both MRS and LNG utilised over the past 4 years
 - Option 3 and Option 4 reserve prices are broadly similar
- Propose that the merit order within the Transportation Model should be kept under review
- Propose to raise a MOD