

Storage Curtailment Compensation Regime.

Transmission Workstream

6th July 2006.

Background:

Prior to and During Winter 2005/2006 – Three Ofgem chaired working groups established: -

- ◆ Cashout Review, Demand Side and Gas Reserve Working Groups
- ◆ Three key UNC Modification Proposals approved by the Authority, influencing and shaping current incentive and compensation regime

Background:

- ◆ UNC Modification Proposal 0044 - Revised Emergency Cash-out & Curtailment Arrangements
- ◆ UNC Modification Proposal 0052 - Storage Withdrawal Curtailment Trade Arrangements in an Emergency
- ◆ UNC Modification Proposal 0071a - User Compensation for NEC Storage Curtailment

Focus – UNC Modification 0071a:

Compensation *and* Reconciliation Arrangements

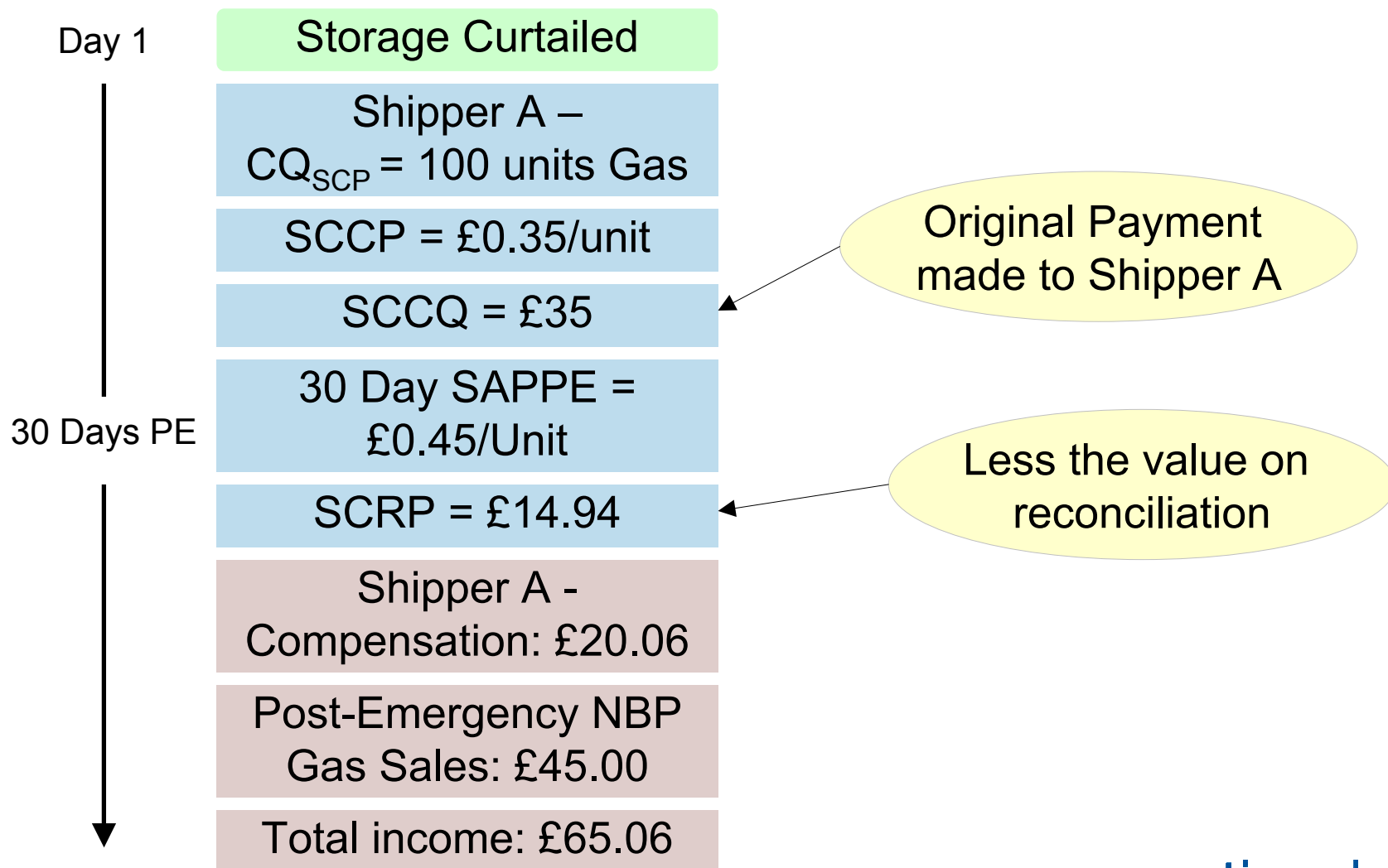
- ◆ Initial Price *or* $SCCP = SMP_{Buy} - 30 \text{ Day SAP}$
- ◆ Volume *or* $CQ_{SCP} = \text{User Estimate of eligible Net Volume per Storage Facility}$
- ◆ Compensation Calculation = $SCCP * \sum CQ_{SCP}$
- ◆ Closing Reconciliation Calculation =
 $(30 \text{ Day SAPPE} - 0.0611p) - 30 \text{ Day SAP}$

Note: Negative values from reconciliation calculation result in payments from National Grid. Positive values result in payments from Shippers.

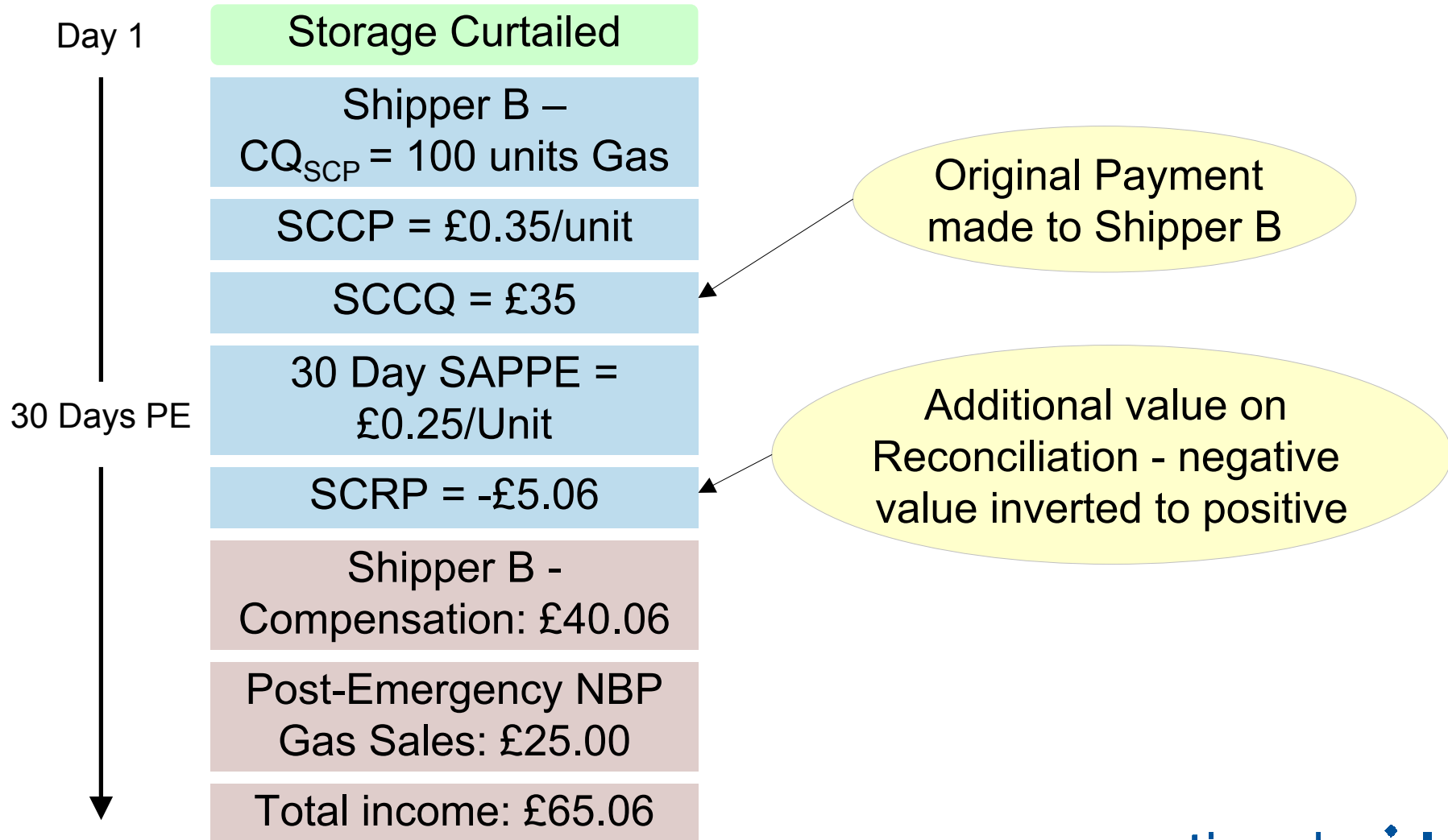
Scenario Assumptions:

1. On first day of Curtailment: -
 - ◆ 30 Day SAP = £0.35/unit
 - ◆ SAP = £0.45/unit
 - ◆ $SMP_{BUY} = £0.70/unit$
2. Post Emergency: -
 - ◆ SAP = SAPPE for any given day

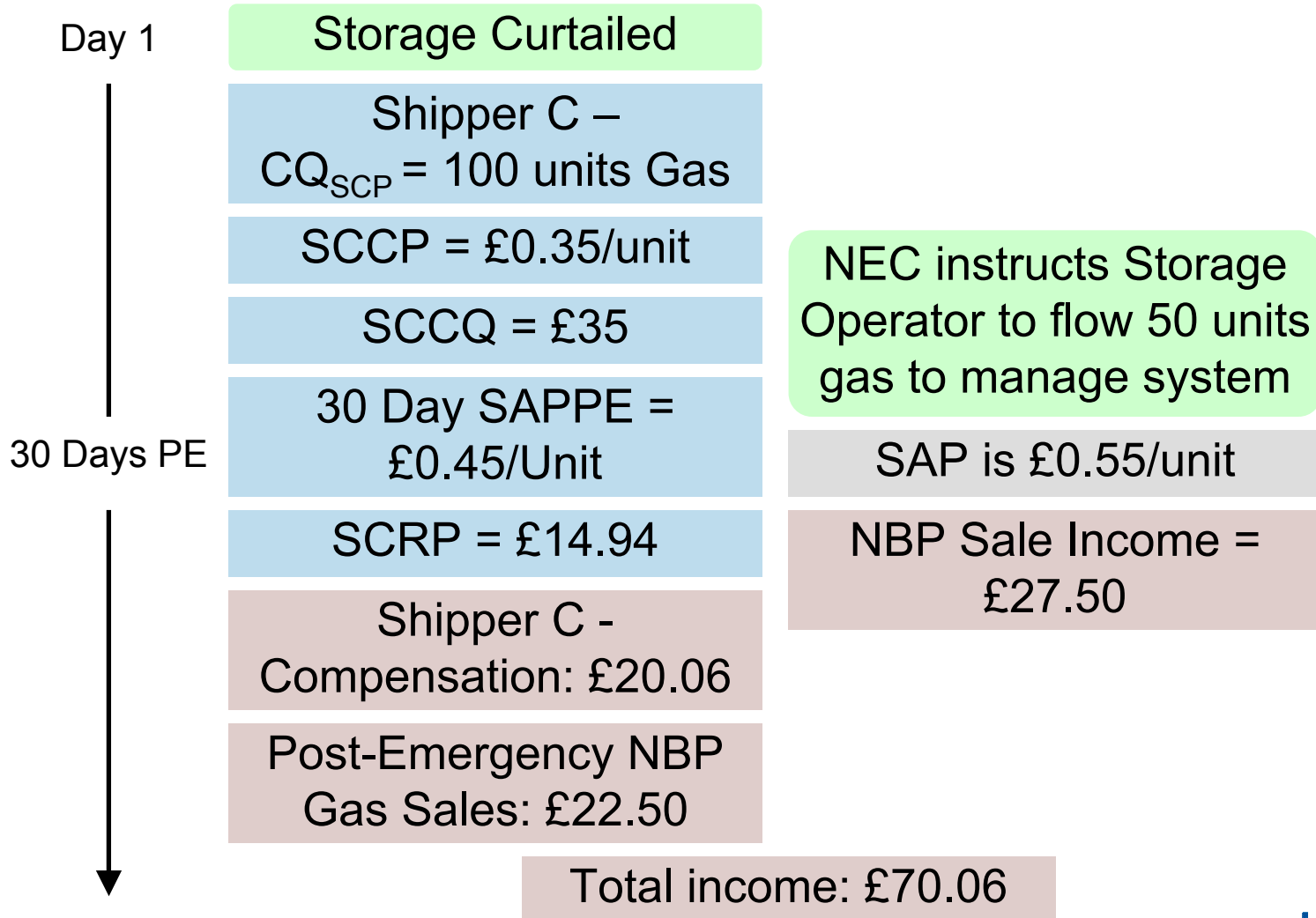
Example 1a: Curtailed & Compensated – Higher Price Post Emergency.



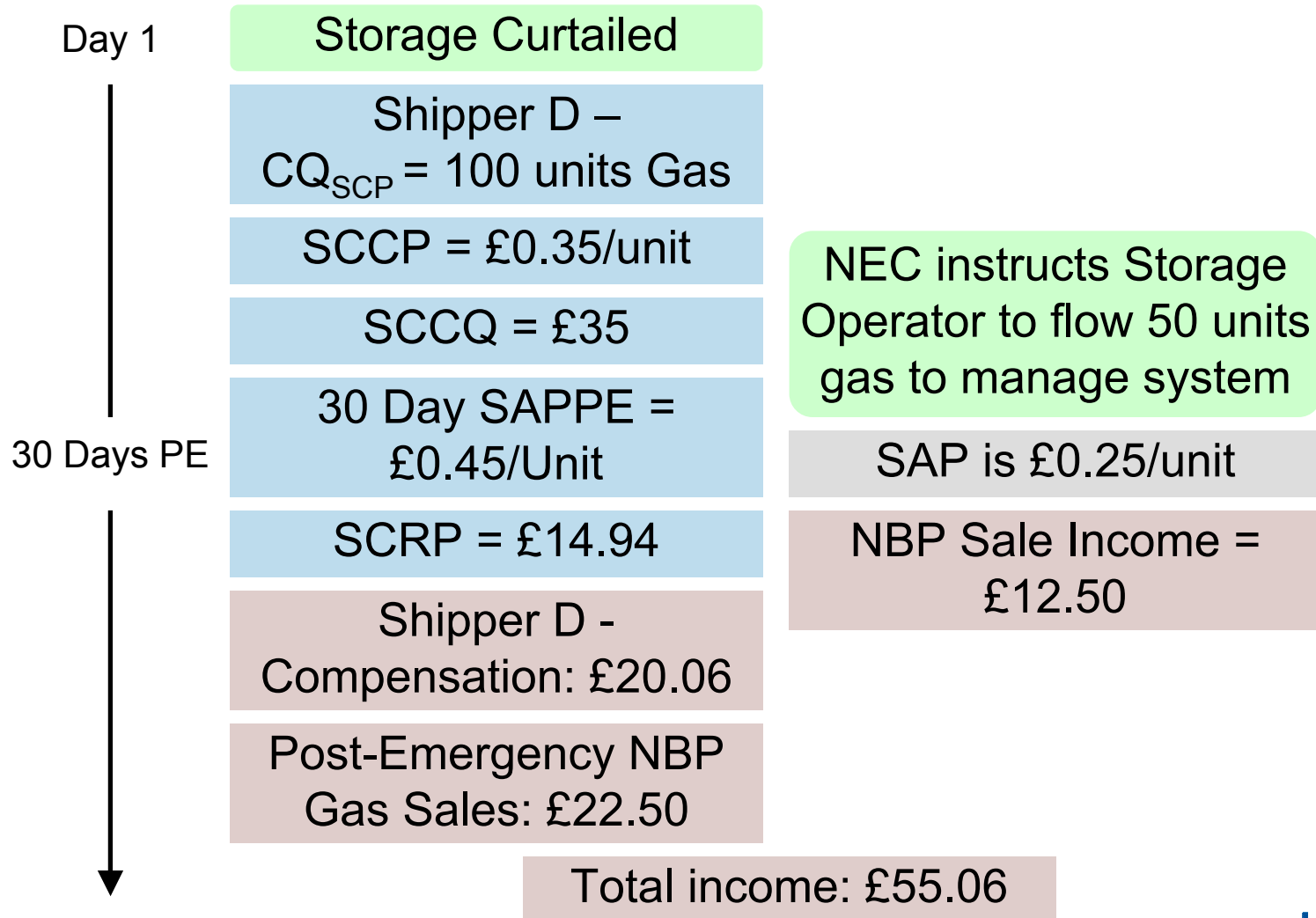
Example 1b: Curtailed & Compensated – Lower Price Post Emergency.



Example 2a: Curtailed & Compensated, Used & Sold - Price Higher than Compensation:



Example 2b: Curtailed & Compensated, Used & Compensated - Price Lower than Compensation:



Possible Solutions:

- ◆ Is a solution required..?
- ◆ Additional reconciliation – end of winter, post removal of Storage Monitors?
- ◆ Profiled compensation arrangements – taking account of historic price curve through previous winters?

Further Questions/Clarifications:

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