Storage Curtailment Compensation Regime.

Transmission Workstream 6th July 2006.

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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 Day SAP
- Volume or CQ_{SCP} = User Estimate of eligible Net Volume per Storage Facility
- Compensation Calculation = SCCP*ΣCQ_{SCP}
- Closing Reconciliation Calculation = (30 Day SAPPE – 0.0611p) – 30 Day SAP

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

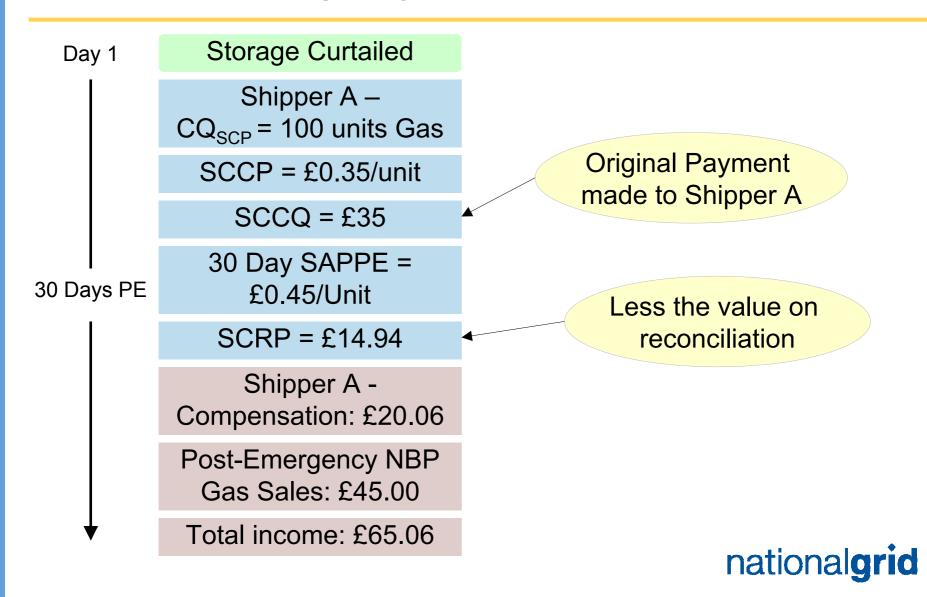


Scenario Assumptions:

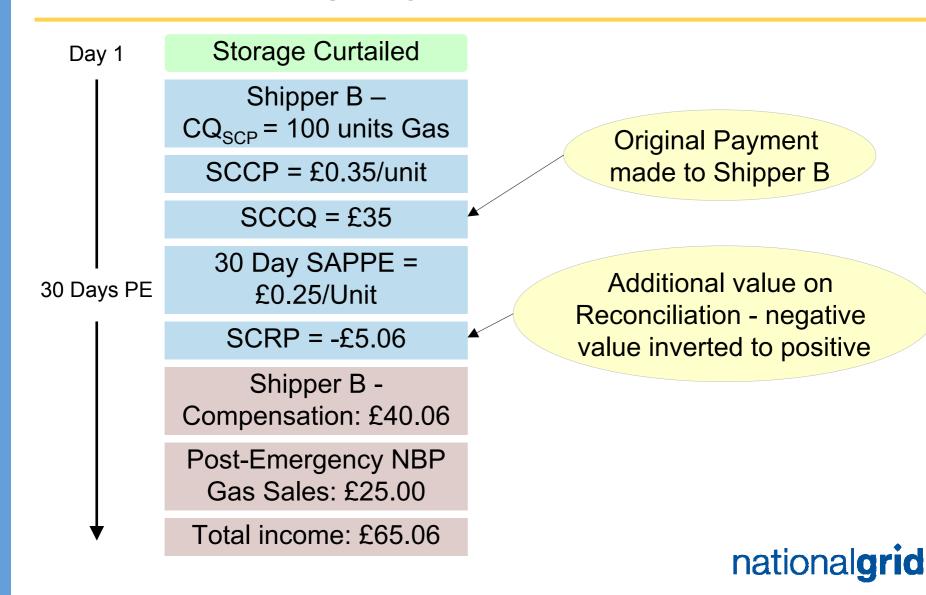
- 1. On first day of Curtailment: -
 - 30 Day SAP = £0.35/unit
 - SAP = £0.45/unit
 - $SMP_{BUY} = \pounds 0.70/unit$
- 2. Post Emergency: -
 - SAP = SAPPE for any given day



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:

Day 1	Storage C	urtailed			
30 Days PE	Shipper CQ _{SCP} = 100				
	SCCP = £0).35/unit	NEC instructs Storage		
	SCCQ =	= £35	Operator to flow 50 units		
	30 Day SA	\PPE =	gas to manage system	age system	
	£0.45/Unit		SAP is £	0.55/unit	
	SCRP = £14.94		NBP Sale Income = £27.50		
	Shipper C - Compensation: £20.06				
	Post-Emergency NBP Gas Sales: £22.50				
\checkmark	Total inco		me: £70.06		•
				nat	ional grid

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

Shipper D – CQ _{SCP} = 100 units Gas SCCP = £0.35/unit NEC instructs Storage SCCQ = £35 Operator to flow 50 units 30 Day SAPPE = £0.45/Unit SCRP = £14.94 SAP is £0.25/unit Shipper D - Compensation: £20.06 Post-Emergency NBP Post-Emergency NBP Gas Sales: £22.50 Total income: £55.06	Day 1	Storage Curtailed			
SCCQ = £35 Operator to flow 50 units gas to manage system 30 Days PE £0.45/Unit SCRP = £14.94 SAP is £0.25/unit Shipper D - Compensation: £20.06 Post-Emergency NBP Post-Emergency NBP Gas Sales: £22.50 Total income: £55.06		• •			
30 Day SAPPE = gas to manage system 30 Days PE £0.45/Unit SCRP = £14.94 Shipper D - Shipper D - £12.50 Compensation: £20.06 Post-Emergency NBP Post-Emergency NBP Cas Sales: £22.50 Total income: £55.06		SCCP = £0.35/unit	Operator to flow 50 units		
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30 Days PE £0.45/Unit SAP is £0.25/unit SCRP = £14.94 NBP Sale Income = £12.50 Shipper D - Compensation: £20.06 Fost-Emergency NBP Gas Sales: £22.50 Post-Emergency NBP Gas Sales: £22.50 Total income: £55.06	 30 Days PE	30 Day SAPPE =			
Shipper D - Compensation: £20.06 Post-Emergency NBP Gas Sales: £22.50 Total income: £55.06		•	SAP is £0.25/unit		
Shipper D - Compensation: £20.06 Post-Emergency NBP Gas Sales: £22.50 Total income: £55.06		SCRP = £14.94			
Compensation: £20.06 Post-Emergency NBP Gas Sales: £22.50 Total income: £55.06		Shipper D -	£12.50		
Gas Sales: £22.50 Total income: £55.06		••			
		• •			
	₩	Total income: £55.06			

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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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