

Potential revisions to the UNC Post-Emergency Arrangements

Under-recovery example

Daily imbalance cashout and post emergency claims

1. Daily Energy Imbalances for Gas Day 1st December (End of Day)

Table 1

Total System Daily Imbalance

Shippers' Daily Imbalances

		System	shipper1	shipper2	shipper3	shipper4	shipper5	shipper6	shipper7
Inputs	Physical	6100	1400	600	400	1500	400	1800	0
	NBP Buys								1800
	Sub-total	6100	1400	600	400	1500	400	1800	1800
Outputs	Physical	5700	250	250	750	1900	750	0	1800
	NBP Sells		0	0	0	0	0	1800	0
	Sub-total	5700	250	250	750	1900	750	1800	1800
Net	400	1150	350	-350	-400	-350	0	0	0
	<i>Imbalance cashed-out @</i>		218.50	66.50	-69.97	-79.67	-69.97	0	0
	Note: Daily Imbalance		+1500 kWh surplus (posted as OCM offers)		-1100 kWh short (sum of shippers' deficit imbalances)				

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2. Daily Cashout Price(s)

Table 2

	Stage 1	Stages 2-5 (frozen)
SAP	0.1800	0.1900
SMP Buy	0.1900	0.1999

A Gas Deficit Emergency (GDE) occurred on 1st December. The cashout prices remain dynamic until a GDE Stage 2+ is declared at which point, the 'emergency' cashout prices are frozen. The shippers' daily energy imbalances are cashed-out at the frozen price i.e. at SAP for those shippers with a long position and at SMP Buy for those with a short position.

3. OCM Physical Market Offers

Shippers 1 and 2 posted offers to sell their additional over-supply on the OCM with a price-range of 0.2000 (0.0100 SAP adj) to 11.7500 (11.5600 SAP adj) p/kWh in comparison to the frozen SMP Buy price of 0.1999 p/kWh.

Table 3

OCM Offers	kWh	p/kWh	<i>Less frozen SAP</i>	Adjusted Price	Cost	
Offer 1	400	0.2000		0.0100	4.00	(Shipper1)
Offer 2	400	0.3000		0.1100	44.00	(Shipper1)
Offer 3	300	0.2200	0.1900	0.0300	9.00	(Shipper2)
Offer 4	300	1.1010		0.9110	273.30	(Shipper2)
Offer 5	50	2.4500		2.2600	113.00	(Shipper1)
Offer 6	50	11.7500		11.5600	578.00	(Shipper1)
Totals	1500				1021.30	

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4. Post-Emergency Claims

Whilst those offers posted by the shippers remained on the OCM, the oversupplies did physically flow (in accordance with GSMR obligations to maximise supplies) and thus those particular shippers' daily imbalances would be allocated as long and cashed-out at SAP (0.1900 p/kWh).

The shippers will now be able to submit these OCM offers as the basis for recovering their costs via the revised post-emergency claims process e.g. through the existing Balancing Neutrality process. It should be noted that under the prevailing UNC post-emergency arrangements, 'long' shippers are able to claim for the quantities of surplus gas above their demand.

Only valid post-emergency claims will be processed.

The costs of the post-emergency claims will be recovered from those shippers that incurred a short imbalance position.

Calculation of the costs and weighted average price of the post-emergency claims:

- a) Calculate the cost of each claim = claim quantity (kWh) * (claim price – frozen SAP (p/kWh))
- b) Calculate the sum total quantity (kWh) of the claims
- c) Calculate the sum total cost (p/kWh) of the claims
- d) Calculate the weighted average price (p/kWh) =

$$\frac{\text{Sum total cost (p/kWh) of claims}}{\text{Sum total quantity (kWh) of claims}}$$

In this example, the weighted average price of the emergency claims:

$$\frac{1021.30}{1500} = 0.6809 \text{ p/kWh}$$

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5. Payment of claims/recovery of costs

To preserve the integrity of Balancing Neutrality, it will be necessary for xoserve to process the payments of the claims and, the recovery of the associated costs simultaneously in the same billing period. It is anticipated that this will be no later than [3] months post GDE/Gas Day(s).

Payment of the emergency claims will be based on the quantity and price of the OCM offers (See Table 3) resulting in Shipper1 receiving 739.30 and shipper2 receiving 282.30

Table 4

UNC Claims – Emergency Neutrality Charges

	Deficit Imbalance kWh	Charge
Shipper1	0	0.00
Shipper2	0	0.00
Shipper3	350	238.32
Shipper4	400	272.36
Shipper5	350	238.32
Shipper6	0	0.0000
Shipper7	0	0.0000
Totals	1100	749.00

The costs of the emergency claims will be recovered from those shippers with deficit imbalances e.g. imbalance * weighted average price of emergency claims (0.3085 p/kWh).

Any over-under recovery of the emergency claims costs will be apportioned across all shippers based on throughput (UDQI/UDQO). *In this example, the total costs of the emergency claims was 1021.30 (see Table 3) however, the emergency neutrality charges recovered 749.00 (Table 4). Therefore, the under-recovery of 272.30 will be apportioned (debited) against all shippers via Balancing Neutrality.*

6. Shipper cash-flows

Table 5

	Imbalance Cashout	Emergency Claims (paid)	Emergency Claims (charges)	Neutrality Smear	Total
Shipper1	218.50	739.00	0.00	-47.19	910.31
Shipper2	66.50	282.30	0.00	-24.31	324.49
Shipper3	-69.96	0.00	-238.32	-32.87	-341.15
Shipper4	-79.96	0.00	-272.36	-97.24	-449.56
Shipper5	-69.96	0.00	-238.32	-32.87	-341.15
Shipper6	0.00	0.00	0.00	-51.47	-51.47
Shipper7	0.00	0.00	0.00	-51.47	-51.47
Totals	65.12	1021.30	-749.00	-337.42	0.00