

Safety Monitor & GBA Report - Background

Safety Monitor and Gas Balancing Alert developments and improved market information provision

Overview

Prior to winter 2009/10, National Grid proposed revisions to the Safety Monitor and Gas Balancing Alert (GBA) methodologies. These revisions have the intent to improve security of supply whilst at the same time, facilitating improved transparency and enhanced information provision to the market.

Background

National Grid has an obligation, under Section Q of Uniform Network Code (UNC), to calculate and operate the Safety Monitors. It is also a requirement of National Grid's Safety Case that we operate this monitor system and that we take action to ensure that storage stocks do not fall below a defined level. The focus of the Safety Monitors is public safety rather than security of supply. They provide a trigger mechanism for taking direct action to avoid a potential gas supply emergency (as defined in the Gas Safety (Management) Regulations). Safety Monitors were introduced in 2004 to replace the so-called 'Top-up' monitors, which had existed (through the Network Code) since 1996.

The Gas Balancing Alert was introduced in the winter of 2005/06 as a result of the implementation of Modification Proposal 061 – *'Facilitating further Demand-side response in the event that a Gas Balancing Alert is triggered'* following discussion and development by the industry through the Ofgem-chaired Demand-Side Working Group. The primary objective of the GBA is to provide a signal to the market that demand-side reduction and/or additional supplies may be required to avoid the risk of entering into a Network Gas Supply Emergency.

Revisions and benefits

It is important to note that the changes to the Safety Monitor have not affected the overall Safety Monitor space requirement. The revisions to the Safety Monitor methodology sought to:

- Treat all storage types equitably, by grouping all storage types/facilities together such that there is only one aggregated monitor for space. Hence operational storage space is apportioned equitably across all Storage sites, including those with high cycling rates, rather than apportioning over the historically determined three storage types, Long, Medium and Short range storage.
- Retain the prevailing determination of storage space requirements but make the deliverability requirement more visible. **In essence, the storage deliverability provides operational cover should an emergency be called on any one day, whilst the space is a winter long requirement thereafter.**
- Through having just one Safety Monitor for space and one for deliverability, there is greater clarity for market participants in terms of their operational decision making.

The revisions to the calculation of the GBA trigger sought to;

- Provide greater clarity into how the GBA trigger is set using the same supply assumptions as used to set the Safety Monitors
- Revise the storage deliverability component of the GBA trigger to all storage sites with two or more days of full deliverability rather than by individual Storage Facility Types. This should result in more granular and less 'major' revisions to the GBA.

Improved market information provision

Previously, prior to and during the winter National Grid published its Winter Outlook supply forecast, a five day ahead NTS demand forecast, storage stock levels, storage deliverability and Safety Monitor levels. Whilst all this information was on our website, the setting of the GBA and potential actions arising to protect Safety Monitor stocks were not particularly visible.

For this winter we will be providing through our website a new platform showing a five day ahead view of the supply/demand balance, historic and forward projections of storage use and how these levels relate to the Safety Monitor requirements and the setting of the GBA trigger.

The combination of improved information, greater clarity of the remaining storage position together with the alignment between the GBA and Safety Monitor should assist market participants and enhance security of supply.