Ops Forum
Discussion slides

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10 February 2010

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Gas Balancing Alerts

- Background of GBA Mods 67, 101, 257
- Give NGG discretion to remove a Within day GBA once it has been called. Parallel with "NISM" in Power.
- Purpose: An additional tool to permit NGG to minimise the costs of balancing the system
- Experience to date has shown the system has ended up long on days when GBAs have been called. It is apparent that IF NGG had had the ability to withdraw a GBA following market response, they would probably have wanted to do so, to minimise balancing costs.
- Discussion at Ops Forum 10/2/10 and then Urgent Mod

Capacity Buyback timing

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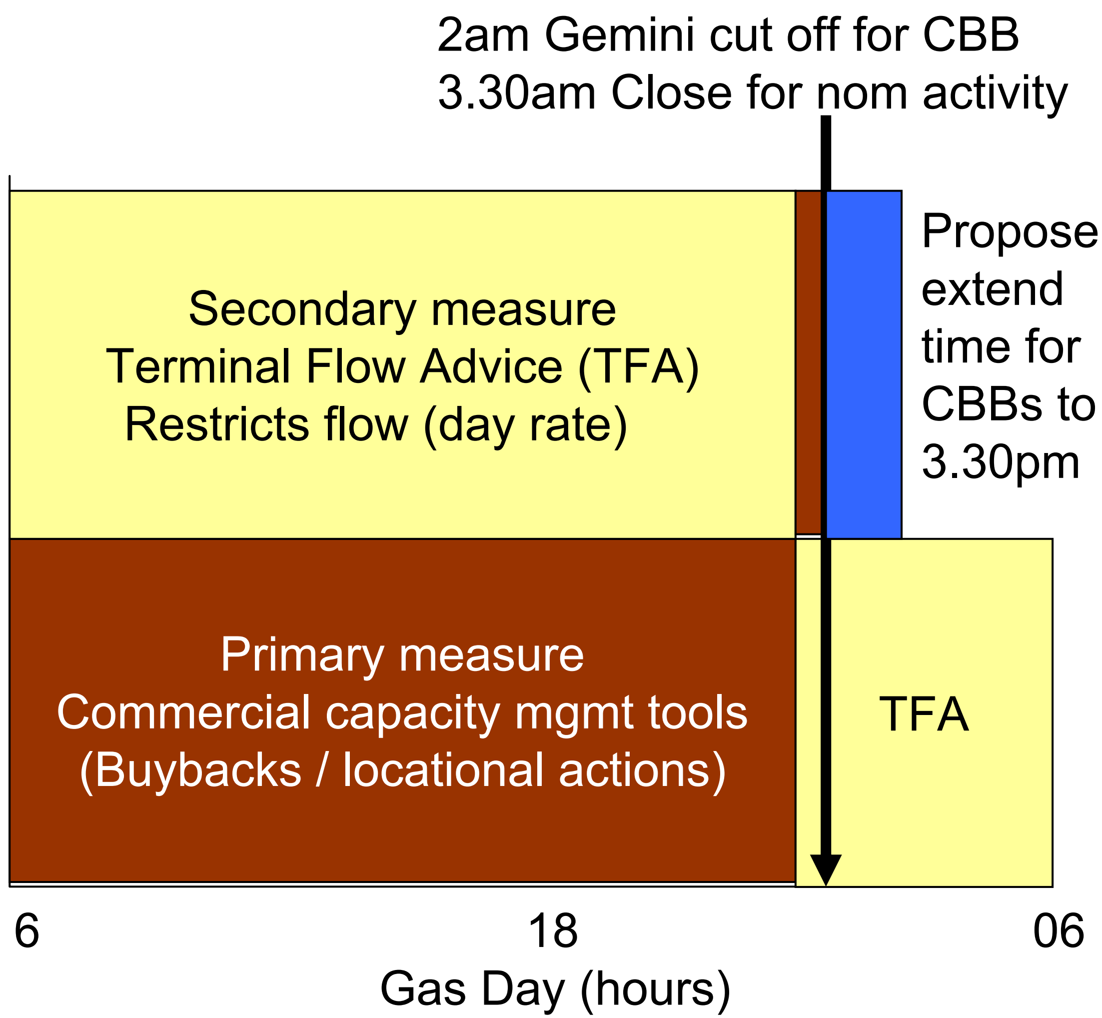
- NGG manage the grid within pressure bands and have commercial and physical tools to manage it.
- NGG use TFAs (Terminal Flow Advice) to manage Gas Quality (offspec) issues and also for short term physical flow variations where EoD deliveries are not impacted.
- Capacity buy backs (CBBs) are NGG's primary tool to manage within day capacity constraints
- Locational trades available
- Where NGG use a TFA in the end of the day, NGG will seek the volume that can't be made up through CBB to compensate shippers.
- Current cut off on Gemini is 2am for CBB bids
  - This should be extended to 3.30am as TFA will have changed physical flow
  - CBB is then to compensate rather than to affect flow rate changes (which will have already occurred).
  - Change is required to reflect the faster Ramp rates available to LNG terminals.



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Rationale for Mod 262

- What it was trying to achieve?
  - Apply the principle that shippers should not have to pay for capacity that can't be provided due to FM.
  - Application to all circumstances of FM at Entry and Exit
  - Simple, pro-rated mechanism to reduce capacity holding
  - Cost was to be smeared via SO or TO Commodity cost

- Why was it rejected?
  - Was not considered to benefit consumers
  - No challenge mechanism for the NGG issuing an FM Notice
  - No incentive for NGG to sort out FM in a timely manner if there is an automatic redistribution of charges
  - Leakage of costs from Entry to Exit
  - Is it correct that NGG faces no FM risk?

Areas to consider – principles

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- Principles to consider
  - Should customers pay for a service unavailable due to FM?
    - Is that normal commercial practice?
    - FM terms in UNC are weighted heavily in NGG's favour
  - NGG should not benefit from calling FM
  - Appropriate tension between declaration of FM and shipper challenge to that FM.

- Need to consider changes to UNC and Licence
  - Will minor changes to Licence be made outside TPCR ?

Capacity treatment subject to Force Majeure

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- Mod 262 background and Ofgem guidance
- Tirley planning decision (2/2/2010) – unanimous No!

Seek to amend FM provisions under NWC GT B.3
Necessary, but deal with in TPCR5 as changes NGG Risk/Reward

Change the definition of Capacity where non-existent, so that buyer relieved.
What other impacts would this have? NGG apply to Ofgem for IAE

Mod 262 Rebate – NGG would have recovered through SO Commodity
Industry support, workable but rejected by OFGEM, guidance on way forward

Amend the Capacity Buyback incentive to include Capacity impacted by FM
NGG bear 50% of cost, Community incur 50% of cost

Capacity treatment subject to Force Majeure

- A number of options with different impacts and timings
- Just about meets urgent criteria (timing, materiality)
  - Expect NGG 750GWh/d capability to be tested during Q1 2010
  - Significant commercial impact (circa £0.5m / month)
- Critical that protection is available from October 2010 as this situation is now likely to be an enduring issue.
- UNC change then Licence change or apply in parallel?
- Best way forward? Informal workgroup meeting during w/c 8th February to develop options.
- Urgency of Mod or other commercial solution?