

Review of Gas Security of Supply Notifications and Demand Side Response

Transmission Workgroup, 2nd August 2018

Introduction

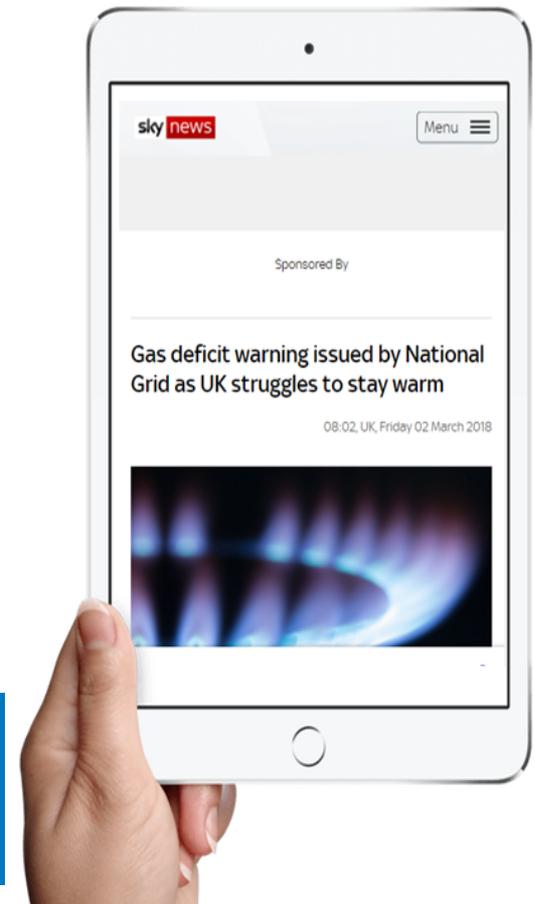
- At present, we have two main tools to provide notice to GB gas market participants of a possible imbalance between gas demand and supply
 - Margins Notice: issued if forecast demand for the day ahead exceeds a pre-defined forecast of supply
 - Gas Deficit Warning (GDW): issued if there is a more serious supply and demand imbalance leading to a material risk to the end of day balance on the NTS. The procedures are described in more detail on our website <https://www.nationalgrid.com/uk/gas/balancing/margins-notice-mn-and-gas-deficit-warnings-gdw>
- We issued our first ever GDW on 1st March 2018 in response to coincident events
 - Cold weather
 - High gas demand
 - Supply failures
- The Margins Notice has not been used since its introduction in 2012, though it is likely that one would have been issued on 1st March 2018, had we not moved straight to the GDW
- In light of these events, we believe that it would be appropriate to review these notifications, the processes that underpin them and the Demand Side Response (DSR) arrangements

The 'Beast from the East'- A Reminder...

On 1st March 2018 a Gas Deficit Warning (GDW) was issued:

- Start of gas day projected end of day imbalance of 47 mcm
- Instantaneous supply & demand mismatch of 90 mcm
- Multiple supply losses, with stock opening well below optimal level
- The highest demand for 7 years 417.6 mcm
- We took residual balancing actions and set the SMP buy price at £4.99 per therm
- We mobilised 'Silver Command' to assess, plan and proactively manage the gas day

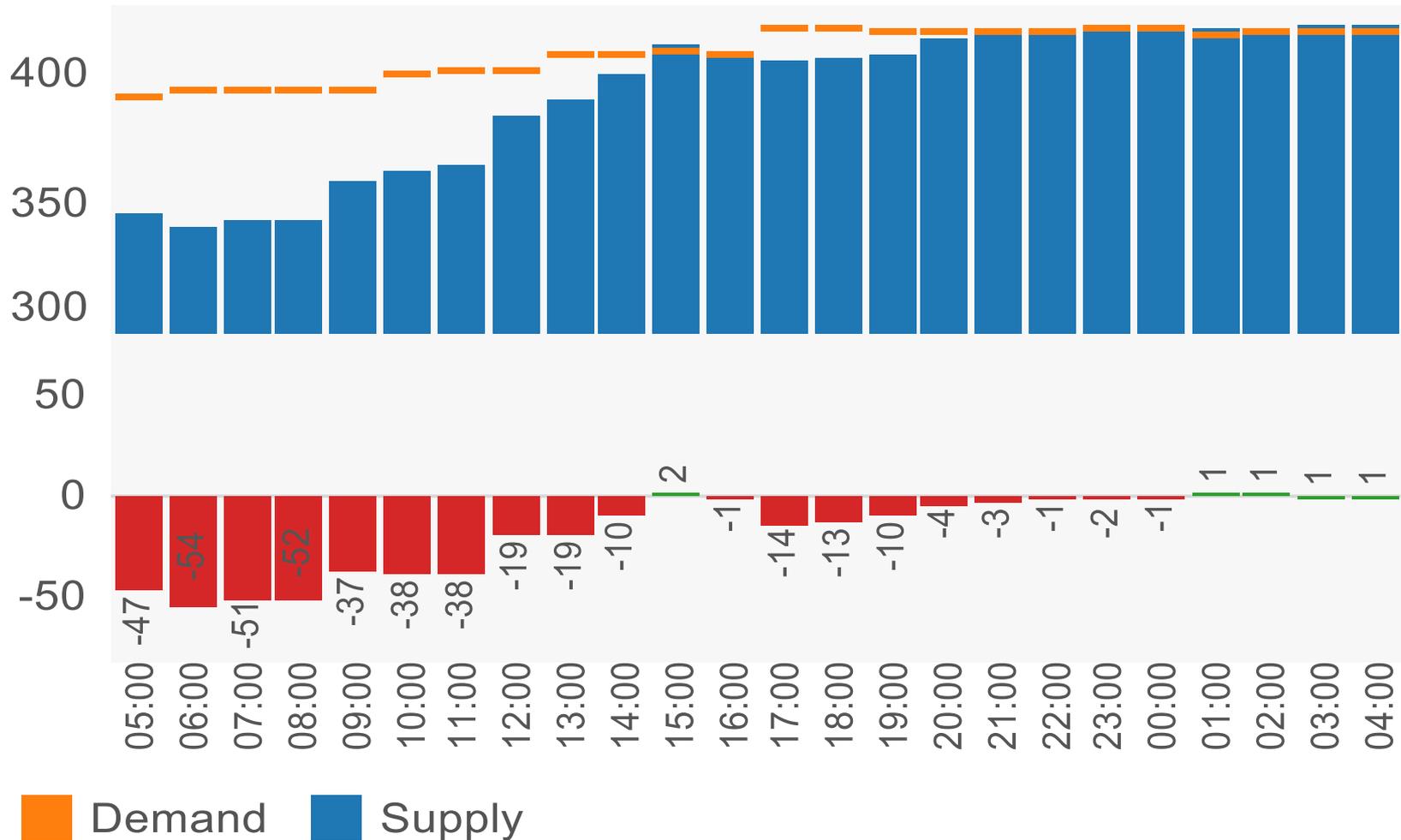
Whilst this was a challenging day, use of our infrastructure, balancing & operational tools meant that we were able to meet our obligations



1st March 2018

Projected end-of-day system imbalance

Projected EOD 01/03/2018



Proposed Review

- As stated in our June 2018 Winter Review and Consultation document*, we would like to review our security of supply arrangements with the industry
 - Margins Notice
 - GDW
 - Demand Side Response (DSR)
- We have a Licence obligation to annually review DSR arrangements so propose to build this in to the project plan

<https://www.nationalgrid.com/sites/default/files/documents/2018%20Winter%20Review%20and%20Consultation%20FINAL%20v2.pdf> , p.49

Thoughts ahead of the review

Could we improve our forecasts that are used in the Margins Notice?

Could customers and stakeholders provide us with more information?

Do the notices provide the right information to allow market players to take timely action?

Should the names of the notifications be changed?

Why did we not receive any DSR offers on 1st March 2018?

Should DSR arrangements be reformed and/or communicated more regularly?

Any proposal for change would need to be appropriately justified and balanced against implementation costs and any wider impacts

Questions for today

- What are the Workgroup's views on the proposed scope?
- We envisage launching it in September 2018 and implementing any change in time for Winter 2019/20 – is this an appropriate timescale?
- How and in what forum should we engage with the industry to complete it?

Please provide your views to philip.hobbins@nationalgrid.com (01926 653432) by mid-August