

UNC 0806:

Mod Title: Change to Curtailment Trade Price Compensation in
Section Q



Proposer: Jeff Chandler

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Why change? -1



- Gas is now the main source of dispatchable power generation in GB as coal and oil sources have mainly closed.
- Gas fired generation now only operates when there is low renewable output.
- This is usually only known with low forecast error at week to day-ahead.
- Recent capacity booking modification 0759S recognized this by allowing capacity bookings closer to physical delivery when there is greater certainty of requirements.

Why change? -2



- In Section Q, when gas demand is greater than supply large exit points may have their gas use curtailed by Firm Load Shedding.
- The curtailment price is set by the arithmetic mean of the System Average Prices for each of the 30 Days preceding the Day. This does not reflect the value of the gas.
- Low electricity Spark Spreads, uncertainty over generation need, material cash-out risk on the electricity market if firm load shed and low gas price compensation act as a dis-incentive to hedge gas fired generation, buy gas & carbon and sell electricity, in advance.
- Left to the prompt, this may create short term stress in the gas market and increases the chance of demand being greater than supply.

Options



- In the UNC, under curtailment, Large Users are providing an insurance service to the whole gas industry whilst being exposed to material commercial risk.
- The gas market should ensure that barriers to purchasing gas in advance are removed.
- This will reduce prompt market stress and the probability of demand being greater than supply.
- Paying gas price compensation that better reflects the price of Firm Load Shedding will in part help.

Solution



- In the event of curtailment, change

the calculation of the Emergency Curtailment Trade Price from the arithmetic mean of the System Average Prices for each of the 30 Days preceding the Day

To

the System Average Price of the Day preceding the Day.

Recommended Steps



- The Proposer recommends that this modification should :
- Not be the subject of self-governance because of guideline: (dd) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies;
- And Workgroup assessment to develop the modification for 2 months before presenting the workgroup report to Panel in June.