

Milford Haven Risk



**national
gas**

Transmission Workgroup

2nd March 2023

ECR Consultation update

- Following the ECR consultation which closed on 13th January, National Gas submitted its amended proposal to Ofgem for a decision on 27th January 2023
- On 6th February Ofgem rejected the proposal for the following key reasons:
 - The proposal was materially different to the one originally consulted on and therefore stakeholder hadn't had the opportunity to feed back on the new proposal.
 - Lack of an Independent Examiners Report
- In their response Ofgem urged us to:
 - Re-consult on the proposals,
 - Engage with industry to identify a means of implementing such a proposal and notifying interested parties about capacity release levels in good time, and
 - Address the requirement for an independent examiner
- On 13th February National Gas re-issued the [proposal to consultation](#) which will close on 13th March (please send your feedback to box.gsoconsultations@nationagrid.com)

Alternatives suggested in original ECR consultation responses

- In the original consultation we have asked our customers to provide alternative solutions as to how the Milford Haven summer risk can be mitigated
- In the last month we held industry workshops to gather feedback on the suggestions and to present our point of view on the alternatives
- Details of the discussions has been shared on the next couple of slides

Alternatives suggested in original consultation responses

	Details	National Gas' view	Industry's view
1.	Align volumes and timelines of capacity release more closely with Gassco maintenance.	<ul style="list-style-type: none"> Risk of constraints is greatest at the time of Gassco maintenance impacting Easington supplies and it's the customers' preferred solution, therefore NG adopted the original ECR proposal 	<ul style="list-style-type: none"> Suggested by 4 parties in ECR consultation responses Will mean summer uncertainty in the market due to the possibility of Gassco maintenance dates moving
2.	Release capacity at a value between network capability and the baseline	<ul style="list-style-type: none"> Doesn't offer full protection against the potential capacity constraint costs The cost could still accumulate to a significant level Uncertainty reduced but still applicable throughout the whole summer Arbitrary number 	<ul style="list-style-type: none"> It would give more headroom and allow for a better utilisation of the terminal
3.	Offer a weekly product with longer lead time (or cancel summer monthly auctions and replace them with weekly auctions on monthly timescales)	<ul style="list-style-type: none"> UNC dictates when capacity is to be released, therefore UNC change would be required. Any changes to timings of auctions would require Gemini system changes Other system Users might be planning to purchase weekly capacity closer to the gas day. Equally, other Users might be planning to purchase monthly capacity 	<ul style="list-style-type: none"> Offer monthly auctions on longer lead time (i.e. AMSEC style auctions, but on monthly basis i.e. selling capacity for 18 months ahead). Suggestion to look at auction timing in the next Transmission Workgroup

Alternatives suggested in original consultation responses

	Details	National Gas' view	Industry's view
4.	a) Release the full baseline capacity for May. Should capacity end up being very tight, we envisage that (sendout) deferrals might be made until June whilst June remains unsold, and will enable NGG to trial releasing full capacity levels.	<ul style="list-style-type: none"> • Would require a methodology change incorporating a trigger event (i.e. if May capacity sold up to baseline, June release will be reduced to network capability level). • Would offer no protection from costs in May. • Potential for uncertainty throughout the summer 	<ul style="list-style-type: none"> • Not favoured by the industry • Presents more uncertainty
	b) Capacity restrictions apply after a number of constraint days (<i>not in feedback, but considered by NGG</i>).	<ul style="list-style-type: none"> • Baseline available throughout the summer • The capacity restrictions would come in place once a number of constraint days occurred in a specific timeframe (this could be e.g. 2(?) in a month) • It could be difficult to establish what the 'acceptable' level of constraint is (event no or cost value)? 	

Alternatives suggested in original consultation responses

	Details	National Gas' view	Industry's view
5.	Offer alternative capacity to Users who execute locational trades or buybacks to give them confidence they will be able to reschedule gas injections.	<ul style="list-style-type: none"> At the point of taking commercial actions to manage the constraint it may not be known how long the situation will last and therefore we wouldn't be able to give assurance when the alternative capacity could be made available. Capacity can only be made available on equitable basis – there is currently no product or means within the capacity regime to make products available on a bilateral/targeted basis. 	<ul style="list-style-type: none"> Uncertainty over having capacity after the constraint might prevent Users from participating in locational trades/buybacks
6.	Pro-rata any restrictions by the maximum capacity requirements of South Hook and Dragon as follows: approx. 650 GWh/d for South Hook, 300 GWh/d for Dragon.	<ul style="list-style-type: none"> The decision to split the capacity between South Hook and Dragon would need to be directed by the Authority. This would mean splitting the ASEP's baseline capacity, which would require a change to our Licence and potentially the UNC. A change like that could provide a degree of certainty, but would also have the potential to be restrictive, reducing flexibility, competition and limiting utilisation of the capacity at the Milford Haven ASEP. 	<ul style="list-style-type: none"> No views received

Entry NTS Capacity Auctions Gas Year 2021/22

Is the timing of AMSEC, QSEC, RMTnTSEC and WSEC auctions fit for purpose?

If RMTnTSEC auctions are not utilised enough, could we consider removal of Rolling monthly auctions and selling Weekly capacity with longer lead times? (not a solution for this summer)

10% of entry capacity is available in daily auctions. Could this be extended to weekly auctions? Should the % be increased?

Auctions 2021/22	Capacity Sold kWh	Capacity Sold mcm	% total
QSEC*	1,332,665,143,791	121,151	71.19
WDDSEC	399,476,454,568	36,316	21.34
DADSEC	83,820,718,594	7,620	4.48
DISEC	23,700,096,709	2,154	1.27
IPAQSEC	10,187,262,000	926	0.54
RMTnTSEC	9,342,919,322	849	0.50
AMSEC	7,261,002,234	660	0.39
IPWDDSEC	2,179,154,801	198	0.12
IPDADSEC	1,552,519,656	141	0.08
WSEC	1,011,099,712	91	0.05
IPRMSEC	704,413,176	64	0.04
IPDISEC	356,442,331	32	0.02
RMTISSEC	- 231,672,641	- 21	-0.01
Total	1,872,025,554,253	170,184	100

*95.2% of QSEC capacity is Existing Contracts capacity

Will QSEC auction be fit for purpose once the EC capacity expires?

Type of capacity	Y-2 to Y-16 (each March)	Y to Y-1 (each February)	M-1 (7 th Business Day M-1)	D-10 (D-10 only)	D-1 (D-7 to D-1)	D
FIRM	Quarterly (QSEC)	Annual Monthly (AMSEC)	Monthly (RMTnTSEC)	Weekly (WSEC)	Daily (DADSEC)	Daily (WDDSEC)
INTERRUPTIBLE					Daily (DISEC)	

Next Steps

- Consider responses to the re-consultation to check if any further amendments are needed and submit the proposal to Ofgem for consideration by the 27th March (expected decision before RMTnTSEC auction in April)
- Determine if any of the alternative solutions could support the summer risk in a wider lower summer capability context
- Long term solution (industry engagement as a part of RIOT3 discussions– views re more permanent solution can be fed into the business plan)

Appendix



Scenarios

- In response to queries, and to better explain how we would adhere to the principles of the proposal in the event that there is a change to the current maintenance schedule, we have illustrated 2 scenarios:
 1. Maintenance period extended
 2. Maintenance period moved

Clearly there are many more potential outcomes - we can take away and work up others discussed, if helpful.
- A fundamental principle of our revised proposal is to release Baseline capacity for periods *not* impacted by the maintenance, and to release a level of capacity reflective of forecast capability levels for periods that *are* impacted.
- The timing of auctions versus timing of knowledge that maintenance is moving/cancelled/extended will be a key factor in terms of what we can release and in which auction/s.
- This proposal tries to balance managing the risk effectively, whilst at the same time providing the industry with certainty as to what level of entry capacity will be made available.
- We have committed to not reduce capacity offered beyond the physical capability levels anticipated (as defined in our proposal). If proposal approved, processes will be needed to ensure timely industry comms, and to make any necessary capacity auction volume adjustments. These may need to accommodate any changes to the current maintenance schedule.

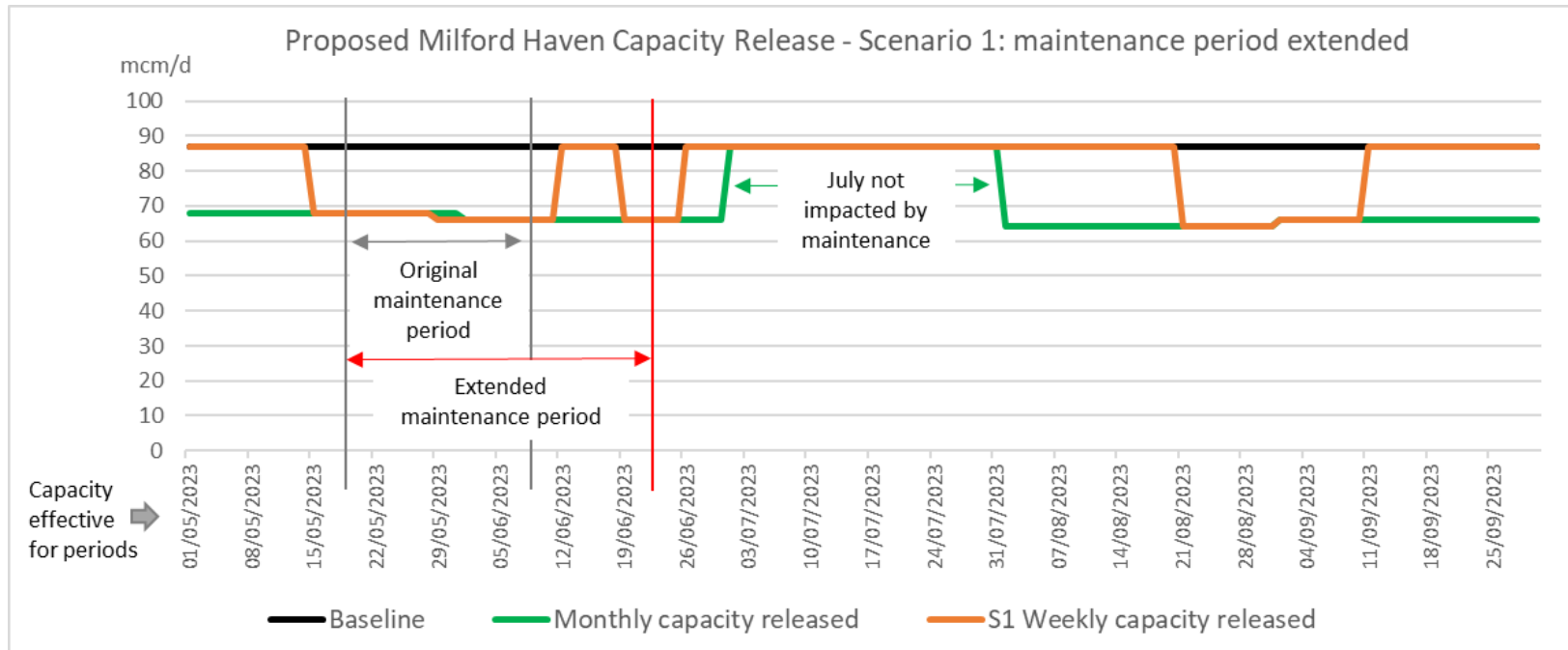
Original impacted dates: 19th May – 9th June
 New impacted dates: 19th May – 23rd June

Scenario 1: Maintenance period extended

- Knowledge of maintenance extension: 5th June
- Industry notified via ANS: 6th June
- Monthly auction (on 11/05) offers: 66 mcm/d (0 mcm/d sold)
- Weekly auction (held 02/06) fixed prior to knowing of extension
- Weekly auction (held 09/06) adjusted to reflect extension
- Day ahead assessments for periods impacted by maintenance will be used to determine extent to which capacity can be increased

Weeks impacted by maintenance extension →

Capacity effective for		WSEC auction held on	Capacity release fixed on	WSEC capacity released (mcm/d)
Start date (Monday)	End date (Sunday)			
15/05/2023	21/05/2023	05/05/2023	03/05/2023	68
22/05/2023	28/05/2023	12/05/2023	10/05/2023	68
29/05/2023	04/06/2023	19/05/2023	17/05/2023	68
05/06/2023	11/06/2023	26/05/2023	24/05/2023	68
12/06/2023	18/06/2023	02/06/2023	31/05/2023	87
19/06/2023	25/06/2023	09/06/2023	07/06/2023	66
26/06/2023	02/07/2023	16/06/2023	14/06/2023	87
03/07/2023	09/07/2023	23/06/2023	21/06/2023	87
10/07/2023	16/07/2023	30/06/2023	28/06/2023	87
17/07/2023	23/07/2023	07/07/2023	05/07/2023	87
24/07/2023	30/07/2023	14/07/2023	12/07/2023	87
31/07/2023	06/08/2023	21/07/2023	19/07/2023	87



In this scenario, potential increased risk due to timing of maintenance extension knowledge vs commitment to provide certainty of capacity offered in 02/06 WSEC auction.

Scenario 2: Maintenance period moved

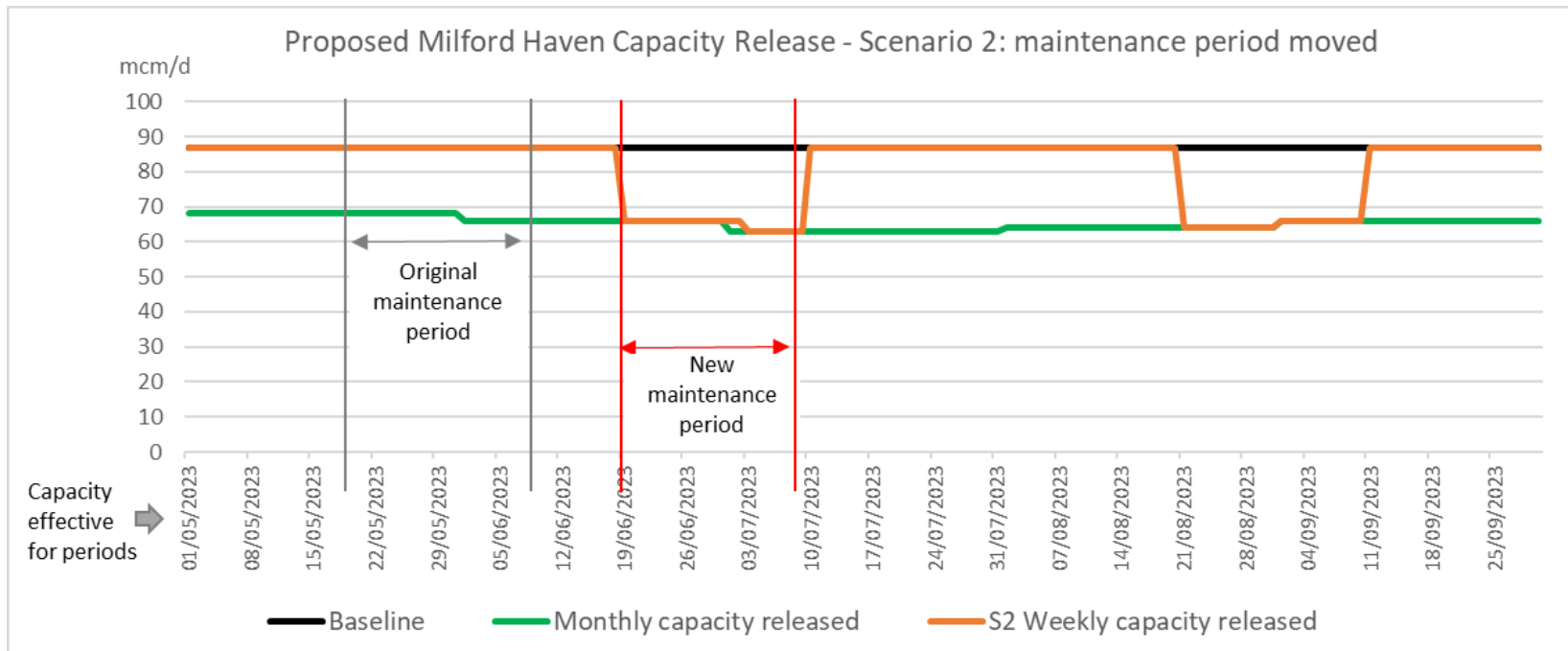
- Knowledge of maintenance extension: 16th May
- Industry notified via ANS: 17th May
- Monthly auction (on 11/05) offers: 66 mcm/d (0 mcm/d sold)
- Monthly auction (on 09/06) offers: 63 mcm/d to reflect impact
- Weekly auctions (held 19, 26/05 & 02/06) can now offer Baseline
- Weekly auctions (held 09, 16, 23/06) reduced to reflect impact
- Day ahead assessments for periods impacted by maintenance will be used to determine extent to which capacity can be increased

Original impacted dates: 19th May – 9th June
 New impacted dates: 19th June – 9th July

Capacity effective for				
Start date (Monday)	End date (Sunday)	WSEC auction held on	Capacity release fixed on	WSEC capacity released (mcm/d)
15/05/2023	21/05/2023	05/05/2023	03/05/2023	68
22/05/2023	28/05/2023	12/05/2023	10/05/2023	68
29/05/2023	04/06/2023	19/05/2023	17/05/2023	87
05/06/2023	11/06/2023	26/05/2023	24/05/2023	87
12/06/2023	18/06/2023	02/06/2023	31/05/2023	87
19/06/2023	25/06/2023	09/06/2023	07/06/2023	66
26/06/2023	02/07/2023	16/06/2023	14/06/2023	66*
03/07/2023	09/07/2023	23/06/2023	21/06/2023	63
10/07/2023	16/07/2023	30/06/2023	28/06/2023	87
17/07/2023	23/07/2023	07/07/2023	05/07/2023	87
24/07/2023	30/07/2023	14/07/2023	12/07/2023	87
31/07/2023	06/08/2023	21/07/2023	19/07/2023	87

Weeks no longer impacted by maintenance moving →

→ Weeks impacted by maintenance moving



* In consultation cover letter this value was 63 mcm/d – should be 66 mcm/d in line with commitment to offer the higher capability where 2 months are straddled

In this scenario, potential increased risk due to offering capacity to June level in July, despite expectation of lower capacity (16/06 WSEC auction).