

Representation For. 0042

"Revised Emergency Cash-out and Curtailment Arrangements"
Version 1.0

Date of Communication: 22/08/2005
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Slant: For
Strictly Confidential: No

Abstract

The CIA welcomes the opportunity to respond to the two urgent modifications regarding emergency cash-out arrangements, and we offer support for both proposals. We note that modification 42 would only amend the cash-out price in Stage 2 to the prevailing System Average Price (SAP) before Stage 2 is entered, and that modification 44 would preserve a frozen dual cash-out, (SMPbuy and SAP), and introduce an Emergency Curtailment Quantity (ECQ) calculation. CIA supports moving away from the current 30-day average SAP cash-out price during Stage 2, and we support the introduction of an ECQ calculation.

As the gas market has not experienced an emergency under the current baseline, it is difficult to determine how quickly a Gas Deficit Emergency could be entered into and we note that different stages of an emergency can be entered into simultaneously. Bearing this in mind there may be little time for consumers and/or shippers, or prices to respond. We are in support of moving away from 30-day average System Average Price (SAP), to a cash-out that would provide stronger signals for Shippers to balance. We are aware that Shippers can refine their position through OTC trades during Stage 2, when the OCM has been suspended.

Furthermore, with the introduction of the curtailment volumes, as proposed under modification 44, a Shipper is left neutral to the impact of Emergency Interruption or Firm Load Shedding. Stage 2 is often referred to as command and control and Shippers should not lose out or benefit from any instructions from the Network Emergency Co-ordinator. We welcome the fact that the Emergency Curtailment Quantity has been extended to firm sites that may be impacted in Stage 3 of an emergency. We also support the introduction of an appeals process for the ECQ.

CIA is working with Ofgem and National Grid to ensure that there are no barriers to demand side participation this winter. We would like to understand if this modification would incentivise Shippers to balance their portfolio and potential impact on the market.

We support both modifications 42 and 44, but note that they do little to amend the cash-out rules under Stage 1, and therefore the incentives already in place regarding emergencies. We do not see these modifications as the route to ensuring that the market does not enter into an emergency. They represent a small change to the existing arrangements.

If you have any queries about any of the points raised in this response please contact Helen Bray (0207 963 6718)