

Representation For 0052

" Storage Withdrawal Curtailment Trade Arrangements in an Emergency "

Date of Communication: 04/11/2005
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Slant: Against
Strictly Confidential: No
Submitted By Web Submitted

Abstract

CIA welcomes the opportunity to comment on urgent modification 0052, "Storage Withdrawal Curtailment Trade Arrangements in an Emergency." We note that the arrangements would only be invoked during an emergency, and that without this modification shippers would be perversely incentivised to withdraw gas from storage earlier than might have been the case in the lead up to a possible Network Gas Supply Emergency. We accept that the Storage Withdrawal Curtailment Quantity (SWCQ) is designed to leave a shipper's position financially neutral to any consequences imposed by the Network Emergency Co-ordinator, however, we question whether the rules should be amended to make gas shippers financially neutral in an emergency while consumers affected by the emergency will have high costs and no compensation.

CIA has concerns regarding the methodology proposed which would allow shippers to obtain virtual gas from storage. We believe that on the day when an emergency is called then storage nominations should be respected via this modification, however, after this time it is not certain what actions a shipper would take. Shippers need to be incentivised to balance their position. By giving shippers the option to still nominate from storage on subsequent days will not help the UK to attract gas supplies and potentially reduce the length of an emergency.

For this winter, we cannot support this proposal, and we do not believe that the current status quo of storage monitors in order to protect domestic load should remain. However, it is too late to change the market as we are already in winter. We note that there is a requirement to protect domestic load but that the current market arrangements need to be amended. We request that the Gas Transmission Workstream discuss this issue further with the aim of raising proposals for a market structure whereby National Grid Gas contracts for gas to protect domestic sites.

If you have any queries, please do not hesitate to contact me on 020 7963 6718.

Kind regards,

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