

## Representation

### Draft Modification Report

#### 0415: Revision of the Gas Balancing Alert Arrangements

**Consultation close out date:** 07 September 2012

**Respond to:** enquiries@gasgovernance.co.uk

**Organisation:** EDF Energy

**Representative:** Stefan Leedham

**Date of Representation:** 07 September 2012

#### Do you support or oppose implementation?

Support

#### Please summarise (in one paragraph) the key reason(s) for your support/opposition.

The Gas Balancing Alert (GBA) Arrangements were introduced into the UNC in December 2005 and have remained relatively unchanged since then. However, during this time the industry has progressed with additional capacity being delivered and GB having better winter supply/demand balances. In addition National Grid, along with the industry, has got more experience and been able to identify improvements to the GBA arrangements. Key among these is the need to be able to withdraw a GBA so that the signal to the market is removed if it resolves any potential imbalances. We also believe that there is value in differentiating between a potential alert and a real within day occurrence. Improvements to the GBA arrangements will also allow parties to balance more effectively and efficiently in the interest of consumers.

#### Are there any new or additional issues that you believe should be recorded in the Modification Report?

When the GBA arrangements were discussed and developed in 2005 the intention was to introduce the gas equivalent of a Notice of Insufficient Margin (NISM), which customers and Shippers could use to trigger any commercial interruption clauses within the supply contracts. The aim therefore was to produce an industry wide impartial trigger to ensure that these clauses were being invoked to resolve real supply and demand imbalances, and not due to high prices. To this end a simple, mechanistic trigger was developed to remove any discretion from National Grid and to provide certainty to large customers.

However, the industry has developed and the supply and demand position in GB has improved since 2005. To this end we support the proposed amendments to the GBA arrangements which we believe reflect these developments and to incorporate learning and experience regarding GBAs. At the same time, given the original intention and purpose of the GBA arrangements from a customer contracting perspective it would appear appropriate to ensure that there is sufficient lead time to ensure these new arrangements can be incorporated into supply contracts.

We note the interactions with Ofgem's Gas Significant Code Review (SCR) decision, and the discussions had through the SCR given the original intentions for the GBA and Ofgem's desire to encourage more commercial interruptible contracts. The introduction of two different notification arrangements may support this decision and encourage more effective and efficient contracting arrangements between Suppliers and Consumers.

### **Relevant Objectives:**

*How would implementation of this modification impact the relevant objectives?*

We agree with the draft modification report that implementation of this proposal will facilitate relevant objectives A11.1 (b) efficient and economic operation of the pipeline system and A11.1 (g) compliance with European regulation.

### **Impacts and Costs:**

*What analysis, development and ongoing costs would you face if this modification were implemented?*

We do not expect to face any implementation costs associated with this proposal.

### **Implementation:**

*What lead-time would you wish to see prior to this modification being implemented, and why?*

Although implementation could occur almost immediately, we believe that implementation should be preceded by a period of communicating and explaining the impact of these changes to the industry. This should help to avoid some of the confusion, mis-understanding and mis-reporting that has occurred historically when Gas Balancing Alerts were first issued.

We also note that sufficient lead time may be required to ensure these new arrangements are incorporated into I&C supply contracts.

**Legal Text:**

*Are you satisfied that the legal text [and the proposed ACS (see [www.gasgovernance.co.uk/proposedACS](http://www.gasgovernance.co.uk/proposedACS))] will deliver the intent of the modification?*

No comments.

**Is there anything further you wish to be taken into account?**

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*

For EDF Energy one of the key deficiencies with the current GBA arrangements is that once issued for a gas day National Grid is unable to withdraw a GBA, even if the market has responded as required. We agree with the draft modification report in that this inability to remove a GBA has in the past resulted in the system ending long as participants continue to respond to a signal that is no longer required. Providing National Grid with the ability to remove this signal will address this deficiency. It will also help gas prices better reflect the true demand and supply situation which should benefit consumers.