

Gas  
Transmission

# Margins Notice Review Winter 2019/20

Transmission Workgroup

7th May 2020

nationalgrid



## Recap: LNG Methodology introduced by Mod 0698

$$LNG_d = \text{Min} \left[ ECWC_d, \frac{US_d}{2} \right]$$

*ECWC<sub>d</sub>* the expected cold weather capability for all LNG Importation Facilities for the Gas Flow Day

*US<sub>d</sub>* the aggregate usable stock at all LNG Importation Facilities for the Gas Flow Day

- When LNG stocks are high, this methodology ensures that a higher LNG figure contributes to the overall Non-Storage Supply (NSS) number and vice-versa
- Pre-mod 0698, the LNG number was a best view from National Grid and tended to remain constant during winter unless supply patterns changed

# Interconnector Methodology

- The 0669R workgroup also considered changing the contribution of interconnectors to the daily NSS figure using the correlation between interconnector flow and hub price differentials

*BBL Interconnector*

$$= \text{Min} \left( \text{Max BBL Technical Capability, Average Flow from last 2 Days} * \frac{D - 1 \text{ NBP:TTF Differential}}{\text{NBP:TTF Average Differential from last 2 Days}} \right)$$

*IUK Interconnector*

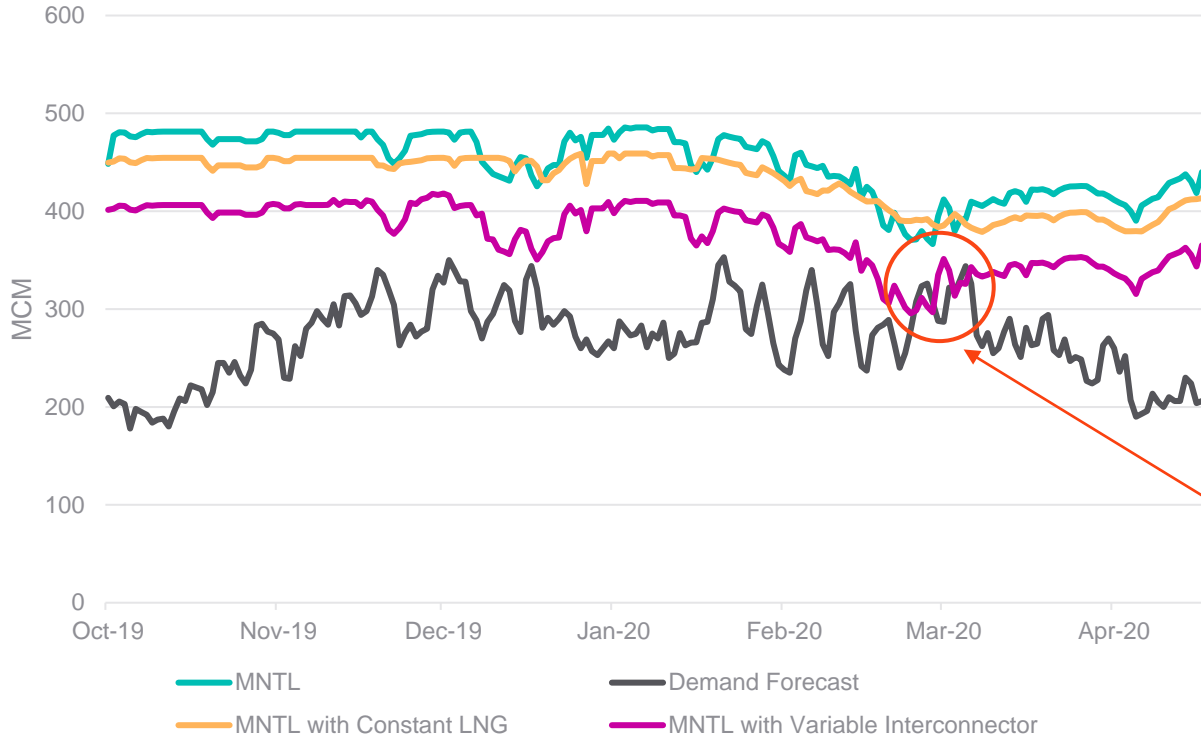
$$= \text{Min} \left( \text{Max IUK Technical Capability, Average Flow from last 2 Days} * \frac{D - 1 \text{ NBP:ZEE Differential}}{\text{NBP:ZEE Average Differential from last 2 Days}} \right)$$

- However, when this methodology was applied to previous winters, it would have triggered Margins Notices at demand levels below 300mcmd and therefore was not adopted into Mod 0698

# Monitoring During Winter 2019/20

- We committed to report back to Transmission Workgroup during and post winter 2019/20, to
  - Share how the new Margins Notice methodology is functioning
  - Review what effect the Interconnector methodology would have had
- We reported on this topic mid-winter to the February Transmission Workgroup
- The following graph shows for October 2019 to mid April 2020:
  - The D-1 demand forecast
  - The actual margins notice trigger level (MNTL) (including the LNG methodology change)
  - What MNTL would have been without the LNG methodology change
  - What MNTL would have been with the LNG methodology change and the revised IC methodology

# Margins Notice Winter Review



MNTL has usually been above what it would have been, had the new LNG methodology not been introduced

The Margins Notice would have been triggered on 7 days in late Feb / early March had the interconnector methodology been used

# Observations

- A mild winter; no Margins Notices or 95% warnings issued have been issued
- For the majority of the winter, high LNG stock levels and entry flows resulted in a higher MNTL than would have been the case without Mod 0698
- MNTL dropped in late Feb / early March due to a reduction in storage inventories and lower LNG stocks
- Interconnectors have exported as well as imported over the period and flows have been low (typically <10 mcmd). Therefore, had the interconnector methodology been in force, the MNTL would have been materially lower (pink line)
- If the interconnector methodology had been applied in addition to the new LNG methodology:
  - Margins Notices would have been issued on 7 days between 25<sup>th</sup> to 28<sup>th</sup> February and 3<sup>rd</sup> to 5<sup>th</sup> March 2020 despite additional interconnector capability. IUK was even exporting on some of these days, indicating an oversupplied system
  - 95% notices would have been issued on 9 days during the period
- The Margins Notice process for this winter was extended by an additional two weeks to mid April.

# Conclusions

- We expected that Mod 0698 would lead to an increase in the number of Margins Notices during winter 2019/20. This didn't happen, mainly because the winter was so mild and due to high LNG flows
- When LNG stocks dropped, the MNTL responded in the mechanistic way designed by Mod 0698
- We do not believe that system conditions in late Feb / early March warranted Margins Notices being issued and therefore the decision not to include the interconnector methodology in Mod 0698 was correct
- We would be interested to hear any views from the Workgroup about the suitability of the Mod 0698 reforms and whether further refinements should be considered