

Capacity Prices and S&D Balancing Options

Gas TCMF

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Introduction

- ◆ The Charging Methodology states that a supply and demand match is achieved by reducing supplies in a merit order to match the forecast demand.
- ◆ Analysis for GCM05 has highlighted some exit price volatility in areas close to supply points at the top of the supply merit order

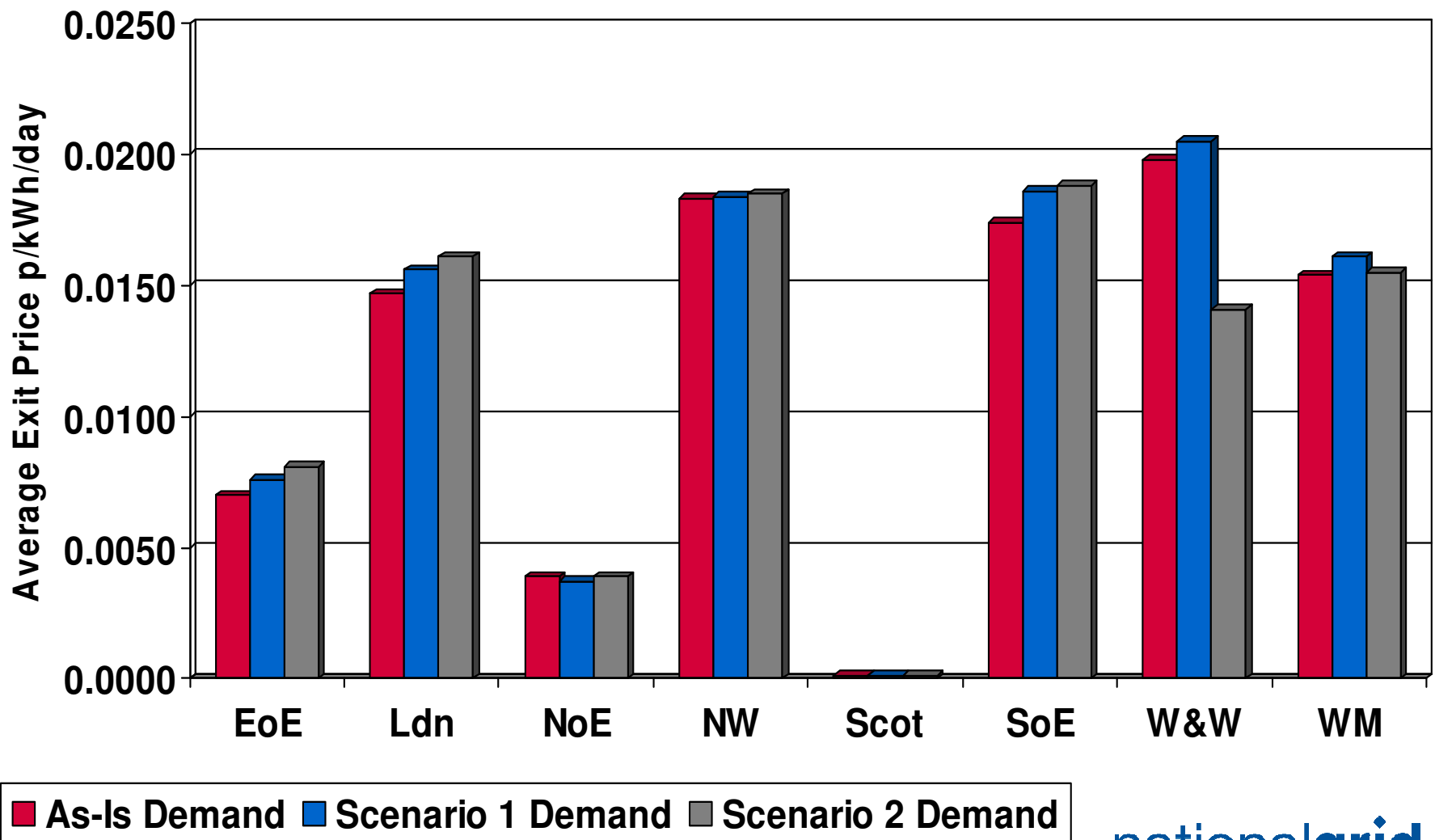
2012/13 Transportation Model Supply Analysis

- ◆ Noticeable change in Exit Prices for Wales and the West between Demand Scenario 1 (forecast firm demand plus DC interruptible) & Demand Scenario 2 (forecast firm demand plus DC & DN interruptible)
 - ◆ NB Scenario 3 used the same S&D information as scenario 2 but with a higher ICUK booked capacity

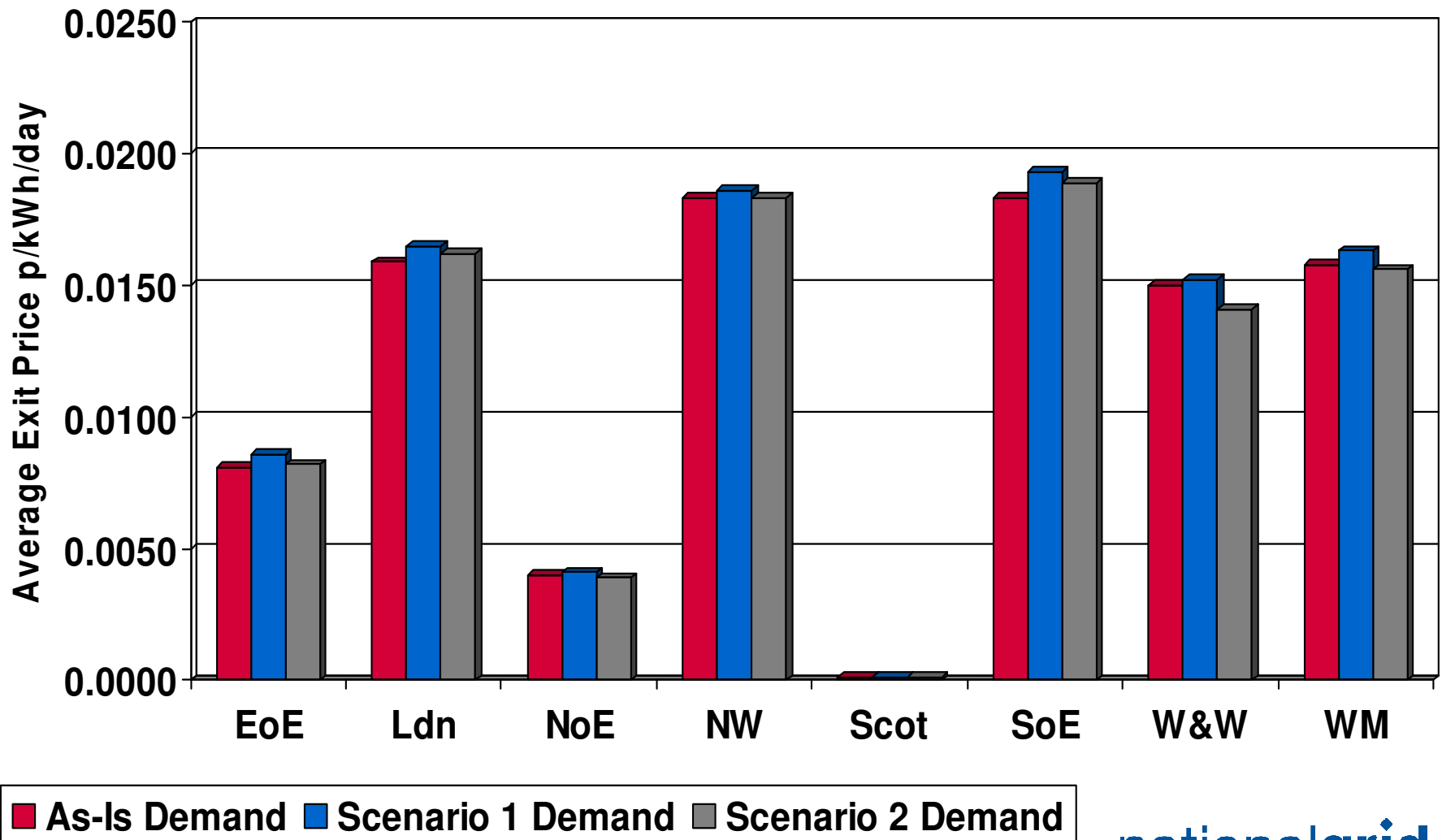
S&D Balancing Options

- ◆ Analysis carried out for following S&D balancing scenarios:
 - A. Supplies reduced from maximum to meet demand in sequence as per Merit Order
 - B. Non-storage at maximum & all storage scaled from maximum to meet demand
 - C. All supplies scaled from maximum to meet demand

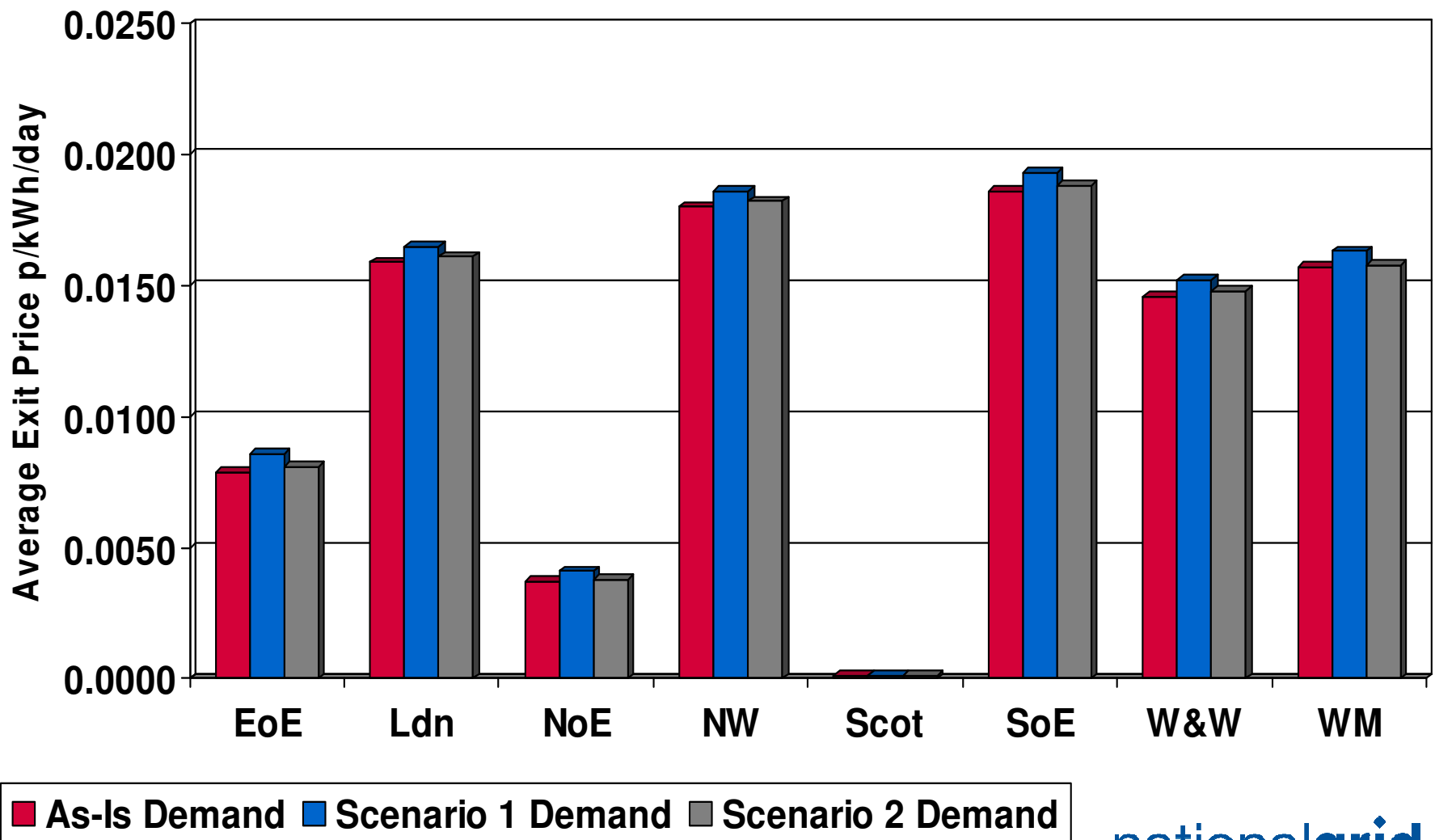
Original Supply Scenario (Merit Order)



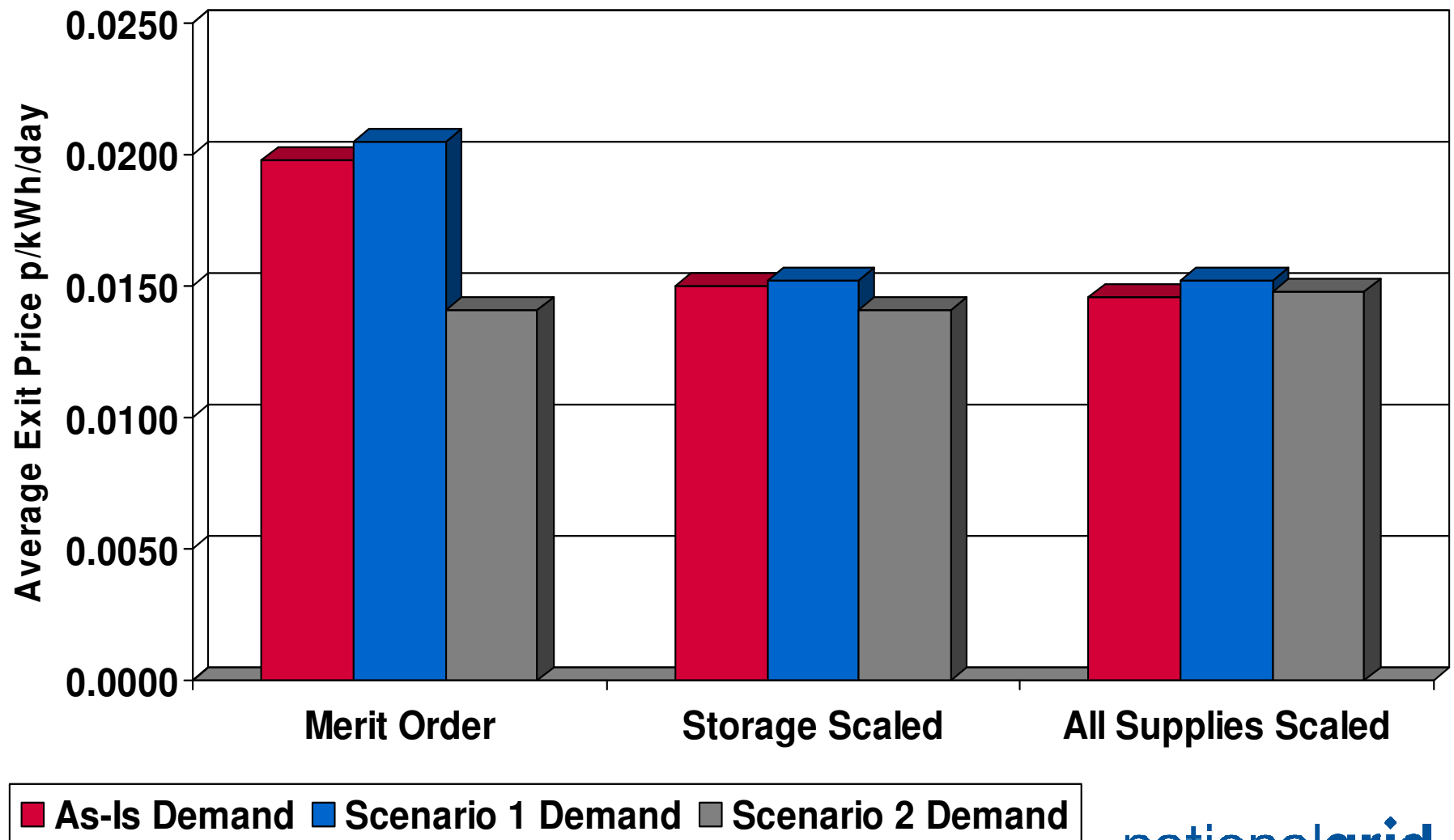
Storage Scaled (Beach @ Max, MRS & LNG Scaled)



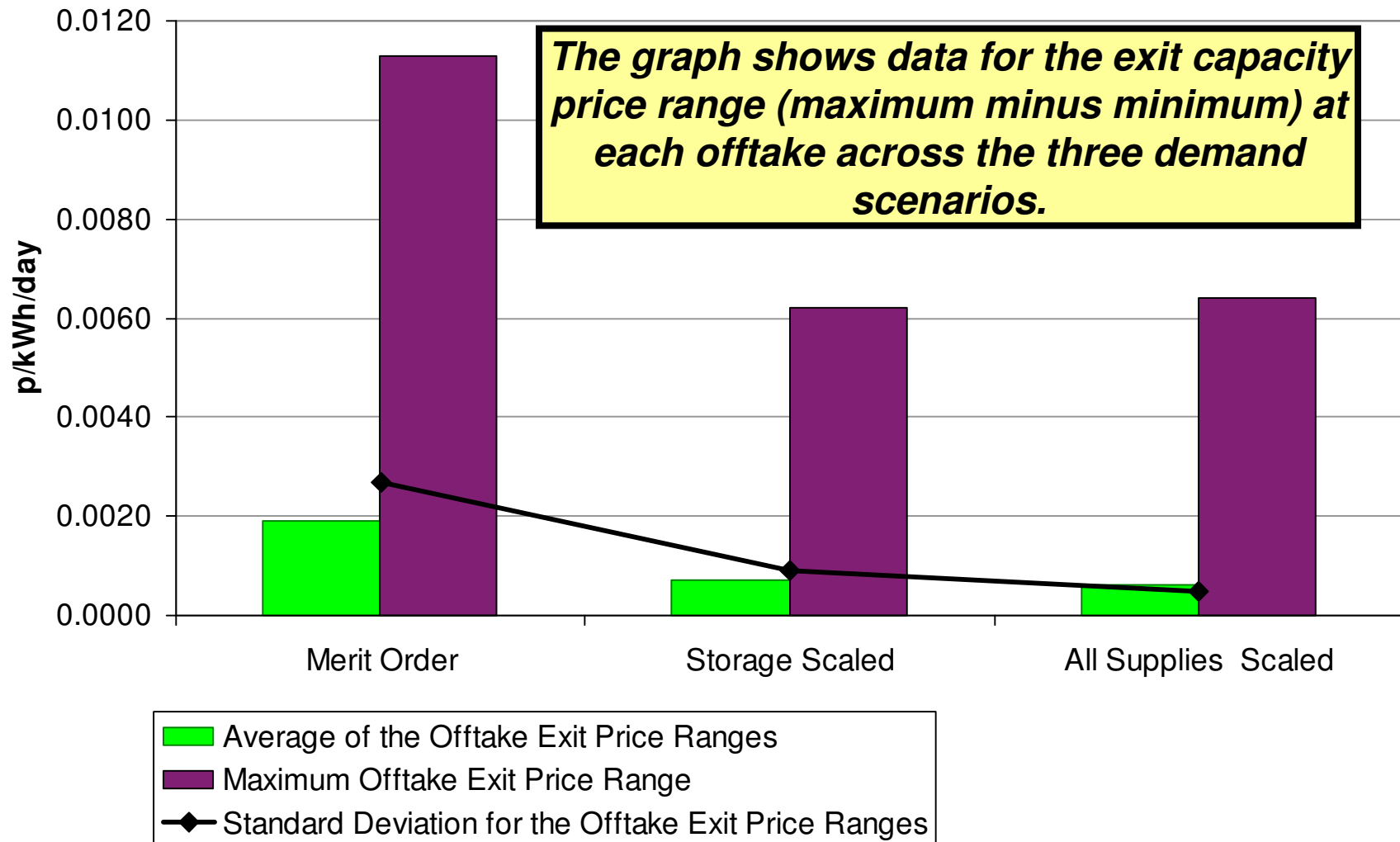
All Supplies Scaled



Comparison for Wales and the West



Impact of S&D Balancing Options on Exit Price Variation



Summary

- ◆ Exit Prices will vary as a consequence of demand changes but changing the S&D balancing rules could minimise the impact of supply changes on exit price variation
- ◆ Further analysis will be required to investigate the impact of S&D balancing rules on entry charges before a proposal can be brought forward
- ◆ Views on any further S&D balancing options for investigation are invited