



Supply and Demand Balancing in the Transportation Model

Gas TCMF

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Introduction

Discussion paper “NTS GCD 06: Supply and Demand Balancing in the Transportation Model” has now been published on our website. The deadline for submission of responses is Friday 20th March 2009.

Discussions at recent TCMF meetings have highlighted two potential factors contributing to price variation:

- 1) The methodology applied to achieve a supply and demand match in the Transportation Model
- 2) The source of the supply data used to achieve a supply and demand match i.e. the Ten Year Statement
 - Uncertainty surrounding future projects
 - Uncertainty surrounding flow levels

Previous presentations have focussed on the methodology used to achieve a supply and demand match.

The discussion paper sets out four potential options for achieving a supply and demand match and seeks views on the source of supply data.

Source of Supply Data - Options

Historical Data

- ◆ Unavailable for new sites
- ◆ Inappropriate to apply to future years for sites where supplies are declining?

Obligated Entry Capacity

- ◆ Has potential
- ◆ Often a significant difference between obligated entry capacity, and actual bookings and anticipated flow levels

Physical Capability

- ◆ Relatively straightforward for storage, LNG importation and interconnectors
- ◆ Difficult for beach terminals – the likely flow capability for beach terminals would be limited by the connected offshore fields

Combinations of Supply Data

- ◆ Use Ten Year Statement supply data for beach terminals
- ◆ Either obligated entry capacity or physical capability for other entry points

Questions for Discussion

Supply Availability

- ◆ **Do respondents consider averaging supply data from a number of Ten Year Statements to be an appropriate approach to dampening entry and exit price volatility?**
- ◆ **For each of the four supply types; Beach, Interconnector, LNG Importation and Storage, which data source do respondents consider to be most appropriate to use for charge setting purposes?**
 - Obligated Entry Capacity
 - Physical Capability
 - Ten Year Statement
- ◆ **Do respondents consider alternative sources of supply data to be more appropriate?**
- ◆ **For new projects, what information do respondents consider should be used as the source of supply data?**

Questions for Discussion (continued)

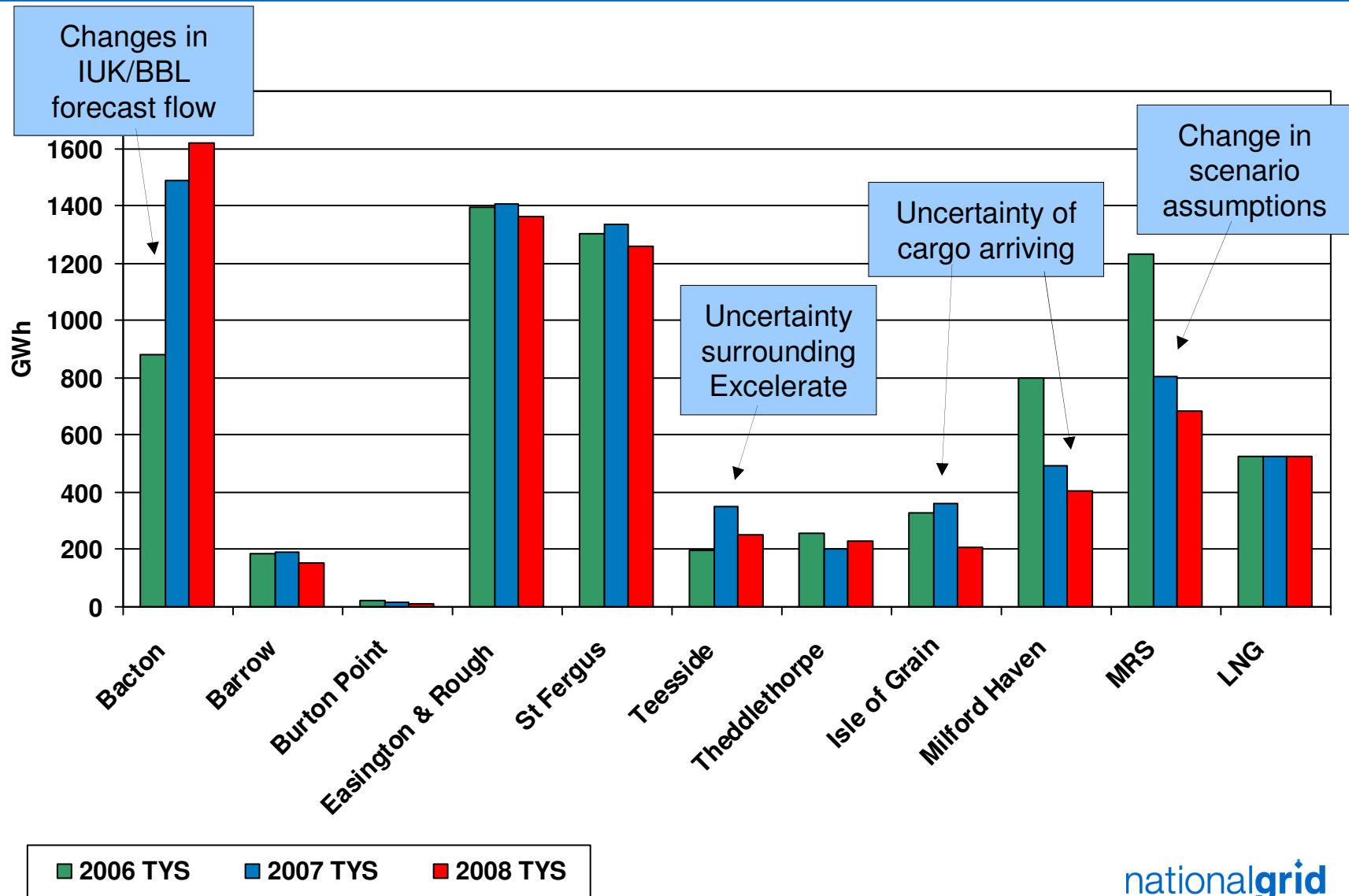
Supply and Demand Balancing Rules

- ◆ **Do respondents consider the preferred option, Rule 3, to be transparent and cost reflective?**
- ◆ **Do respondents consider any of the alternative options to be more transparent and cost reflective?**
- ◆ **Do respondents consider an option differing from those proposed to be more transparent and cost reflective?**

General

- ◆ **What further analysis would respondents like to be included with any future consultation?**

Appendix A: Ten Year Statement Supplies for 2009/10



Appendix B: Ten Year Statement Supplies for 2009/10

