



Promoting choice and value
for all gas and electricity customers

OFGEM Update - Gas Operational Forum

14th December 2011

Karla Perca López

1. Gas Security of Supply Significant Code Review
2. Guidance on the Regulatory Regime for Gas Storage Facilities in GB
3. Gas SO incentives for 2012/13
4. SO incentives from 2013

Gas Security of Supply Significant Code Review

- The Gas SCR draft policy decision and draft impact assessment were released on 8 November. We are currently consulting on our proposals:
 - Implement changes to cash-out in an emergency so that when firm customers are interrupted the cash-out prices is set at the value of lost load (VoLL) (around £20 per therm) for all days of firm load shedding and the first day of any network isolation.
 - Recommend more consideration of possible further interventions alongside cash-out reform.
- Key dates:
 - 23 January 2012: Workshop
 - 31 January 2012: Closing date for responses
 - 15 February 2012 and 29 February 2012: Workshops (code and licence changes)
 - 14 March 2012: Closing seminar

Guidance on the Regulatory Regime for Gas Storage Facilities in GB

- On 5 December 2011 Ofgem released the “Guidance on the Regulatory Regime for Gas Storage Facilities in GB” together with an associated “Gas Pivotality Model”.
- The guidance document sets out our final views on compliance with the requirements of the Third Package pertaining to gas storage, and summarises Ofgem’s new powers to monitor and enforce compliance.
- The associated model is intended to assist industry stakeholders to better understand our proposed methodology for assessing pivotality in the wholesale gas market. Market players can use the “example” model to self-assess their own position in the market.

Gas SO incentives for 2012/13

- Five out of the seven incentive schemes will expire on 31 March 2012. In our open letter published in May we set out our intention to roll over the expiring schemes from 1 April 2012 to 31 March 2013.
- On 12 October we held a stakeholder workshop. We have taken account of views from NGG and other stakeholders expressed at the workshop and in written submissions in developing our final proposals.
- Our final proposals focus on the following areas:
 - NTS Shrinkage incentive: CFU model and target adjuster, CV shrinkage, ECRP, GCRP.
 - Quality of information: demand forecasting
 - Data publication
 - Residual balancing
 - Unaccounted for gas

SO incentives from 2013

- On 14 June 2011 Ofgem released a consultation document with our initial views on the principles for setting the SO regulatory framework from April 2013, with particular focus on the alignment of the SO incentives with RIIO-T1.
- Since then our work has focused on three areas:
 - **SO outputs:** we have worked to provide clarity on what the SOs will be expected to deliver;
 - **SO-TO interactions:** we have considered further what 'aligning incentives' means;
 - **Risk sharing and uncertainty mechanisms:** we have considered the question of how to determine appropriate risk-sharing between the SOs and customers.
- A consultation document will be published shortly.



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Links

Gas Security of Supply Significant Code Review

<http://www.ofgem.gov.uk/Markets/WhIMkts/CompanEff/GasSCR/Pages/GasSCR.aspx>

Guidance on the regulatory regime for gas storage facilities in Great Britain

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=181&refer=Markets/WhIMkts/CompanEff>

SO Incentives

<http://www.ofgem.gov.uk/Markets/WhIMkts/EffSystemOps/SystOpIncent/Pages/SystOptIncent.aspx>

Any questions?

If you have any questions please feel free to contact us anytime

by e-mail

gb.markets@ofgem.gov.uk

by telephone

020 7901 7149

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, there are wheat stalks. In the center, there is a gas burner with a blue flame. The overall theme is energy and natural resources.

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