



Publishing date: 11/02/2015

Document title: 6j - GDWG Sub-group proposal (12 Dec)

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# Gas Day Change Proposal

Monday 12th January 2015

## Case For Change

- On 1<sup>st</sup> October 2015 business will continue as usual at sub-terminals providing 5-5 data
- At sub-terminals still providing 6-6 data, National Grid will generate a 5-5 DQ which will be passed onto CVSL
  - CVSL will have difficulty validating the 5-5 DQ against 6-6 producer data
- At sub-terminals still providing 6-6 data but where Shippers have implemented the Interim solution, current CVSL arrangements will be maintained and a new algorithm will be utilised to provide 5-5 shipper allocations
- It is unlikely there will have been any decision from ACER on the OGUK Mod proposal

Comparison between 'Do  
Nothing' Option and Option A  
(Scaling Algorithm)

## 06:00 Sub-Terminals 'Do Nothing' Scenario

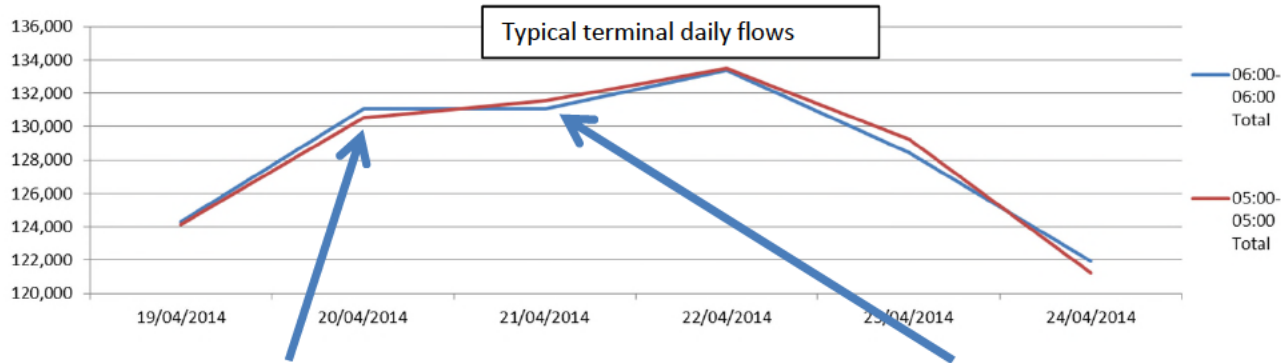
**If no solution is implemented then the current CVSA rule-set applies:-**

### **CVSA matching rules:**

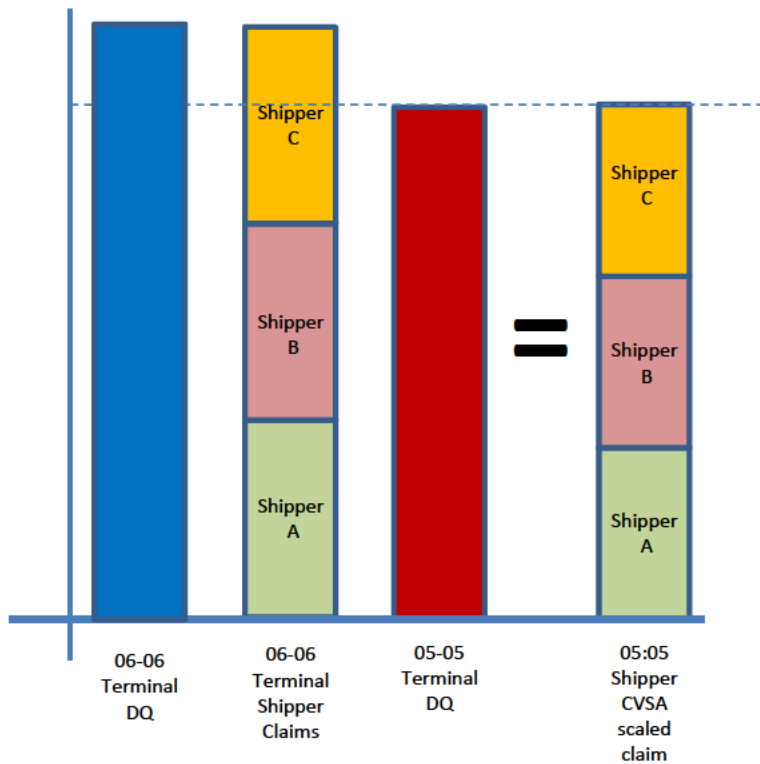
- If Sub-terminal DQ (5-5)\* =  $\sum$  All Terminal Shipper claims (6-6)  
Then: Terminal Shipper claims are approved
- If Sub-terminal DQ (5-5)\* <  $\sum$  All Terminal Shipper claims (6-6)  
Then: Terminal Shipper claims are pro-rata scaled back to DQ
- If Sub-terminal DQ (5-5)\* >  $\sum$  All Terminal Shipper claims (6-6)  
Then: Terminal Shipper claims are approved and difference is deemed **Unallocated Gas**

\*Sub-terminal DQ (5-5) will be derived by National Grid if not provided by the sub-terminal

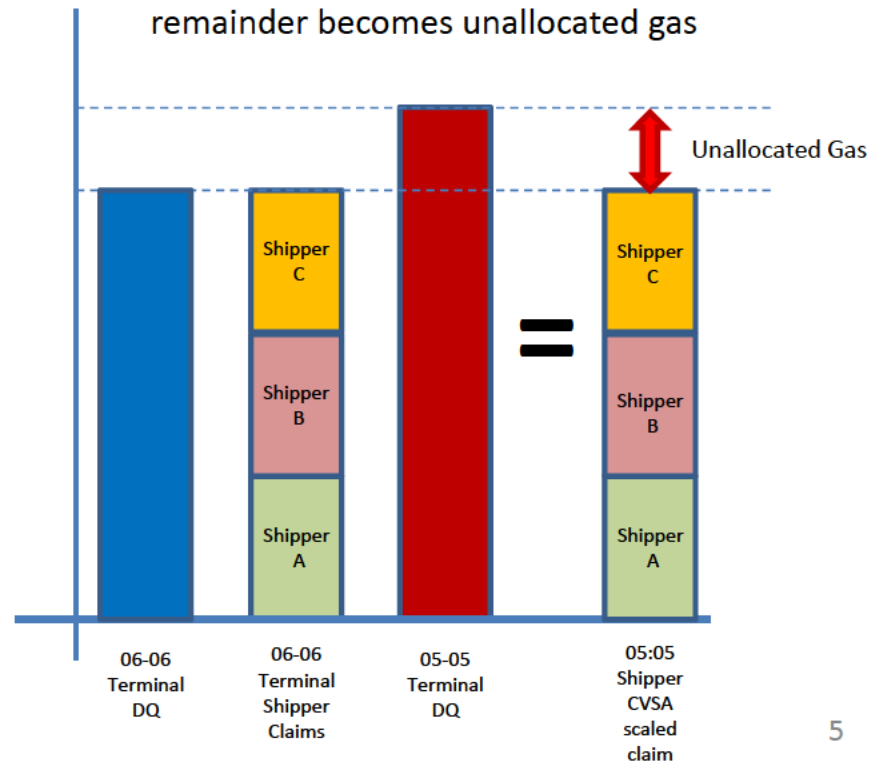
# 06:00 Sub-Terminals 'Do Nothing' Scenario Examples



**06 Terminal total > 05 Terminal total**  
**Impact:** All Shippers scaled back to 05 total



**05 Terminal total > 06 Terminal total**  
**Impact:** All Shippers allocated their 06 total, remainder becomes unallocated gas



# UKCS Sub-Terminals Cost Comparison Estimate 'Do Nothing' v Option A

- Based on Sub-terminal data October 2012 – March 2014 (18 month period)

Terminal	Do Nothing (SMP Buy Costs)	Option A (SMP Buy and Sell Costs)
T1	-£2,473,083	-£100,448
T2	-£1,856,877	-£124,425
T3	-£2,001,399	-£89,974
T4	-£3,637,263	-£107,629
T5	-£2,033,083	£18,555
T6	-£1,803,264	-£64,961
T7	-£2,909,294	-£79,967
T8	-£656,867	-£31,122
T9	-£3,223,578	-£46,086
T10	-£4,057,763	-£182,754
T11	-£15,010,823	-£375,893
T12	-£2,915,691	-£136,672
T13	-£2,936,718	-£136,960
<b>Cost Totals</b>	<b>-£45,515,702</b>	<b>-£1,458,336</b>

- In a 'Do Nothing' scenario Shippers will only be scaled down to meet the 5-5 DQ, therefore only SMP Buy costs will apply to their imbalance
- Where the 5-5 DQ is higher than the Shipper allocation, the difference will be recorded as unallocated gas
- In Option A, the scaling algorithm will work in either direction, meaning SMP buy and sell costs will be applied to the Shipper imbalance

## Unallocated Gas

- In a 'Do Nothing' scenario the proportion of unallocated gas is likely to increase
- This is recorded within the Entry Allocation Statement that CVSL send to NG
- An increase in unallocated gas may result in:
  - NG taking residual balancing actions (sells) to balance the system. The revenues would be smeared to all Shippers through balancing neutrality
  - NG taking more Shrinkage sells. The associated revenue would be distributed back to all Shippers via the SO commodity charge based on throughput



## Option A Proposal

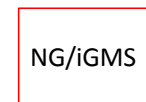
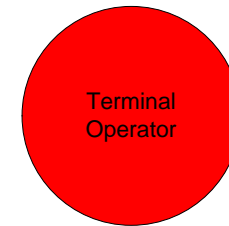
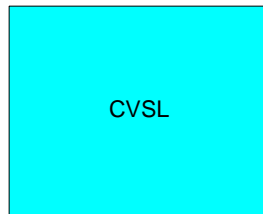
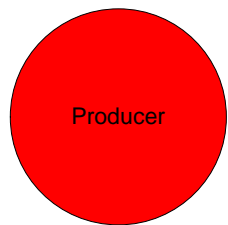
- New company (Company X) is set up
- NG delivers the 6-6 DQ, 5-5 DQ and 5-6 DQ to Company X
- CVSL delivers the Shipper Allocations based on 6-6 to Company X
- Company X then uses a scaling algorithm to generate 5-5 Shipper allocations which are then delivered to NG
- Shippers sign up with Company X to use the service
- All Shippers at a 6-6 sub-terminal will need to sign up to Company X for the service to work

## Option A – Detail of Proposal at a 6-6 Sub-Terminal

- Key parties involved
- - - -> Main data flows relating to Claims validation process (6-6)
- - - -> Main data flows to Company X
- - - -> Main data flows from Company X

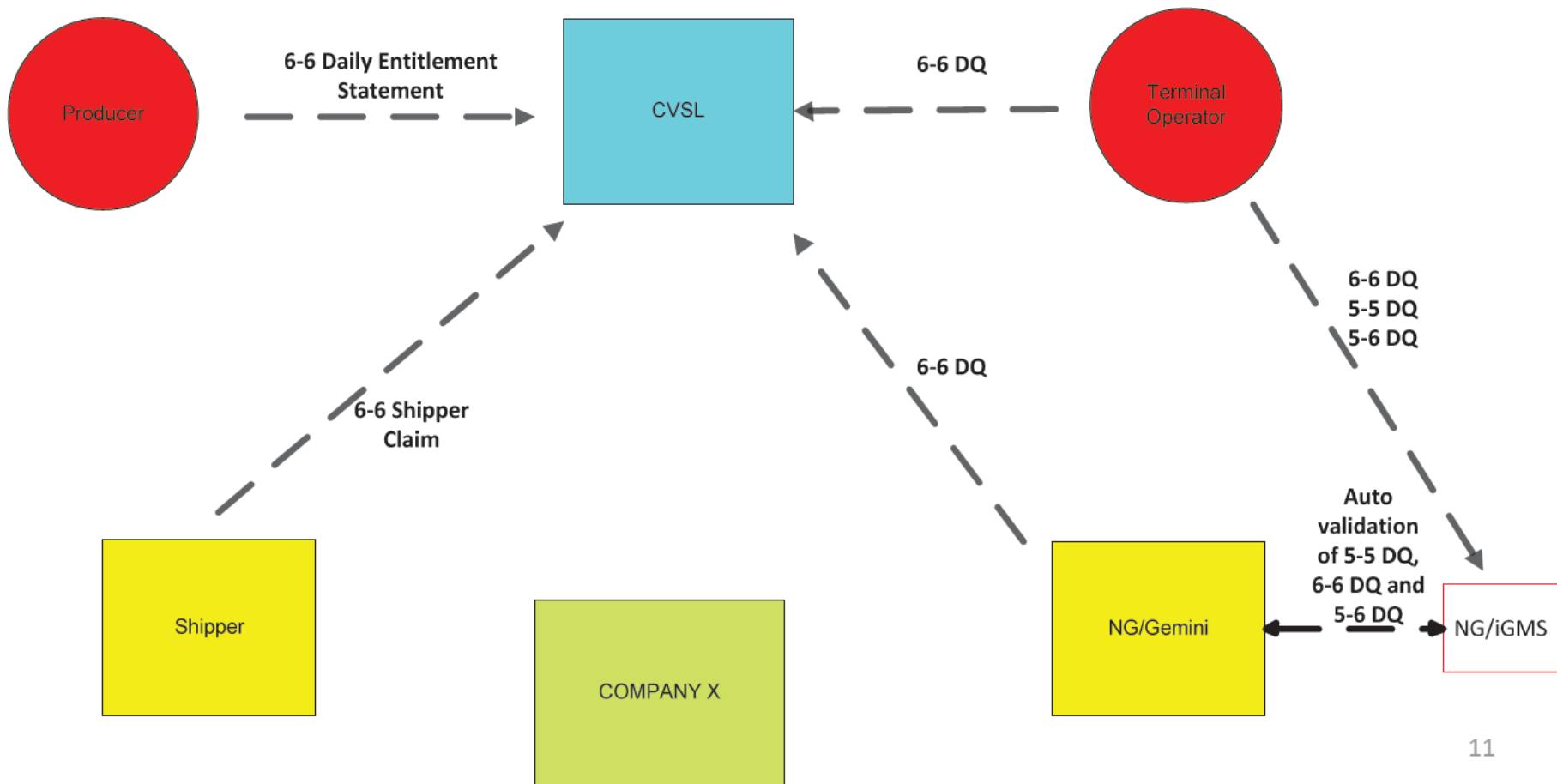
# 6-6 Sub-Terminal – Key Parties

## 6-6 Sub Terminal

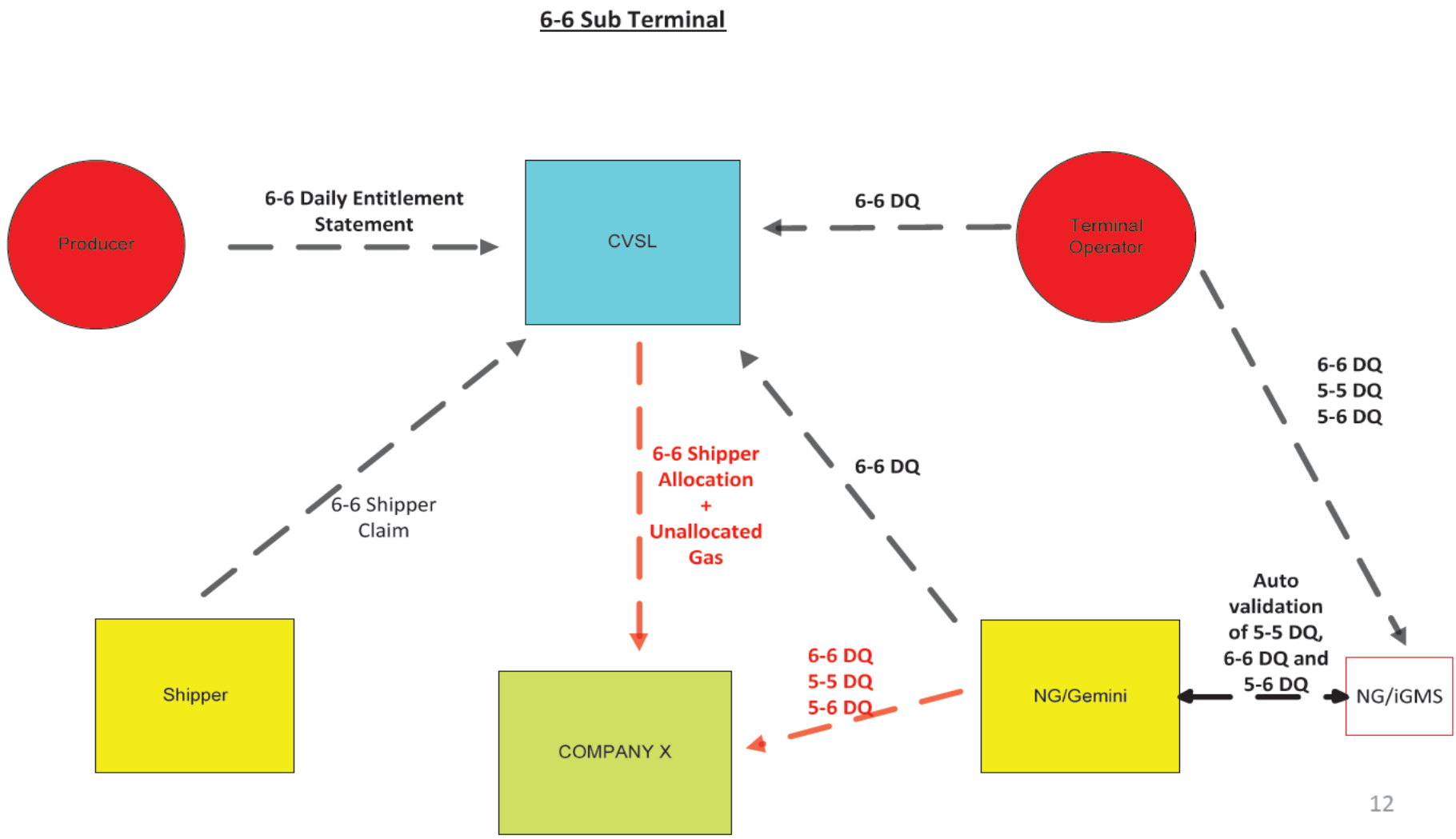


# 6-6 Sub-Terminal – Main Claims Validation Data Flows

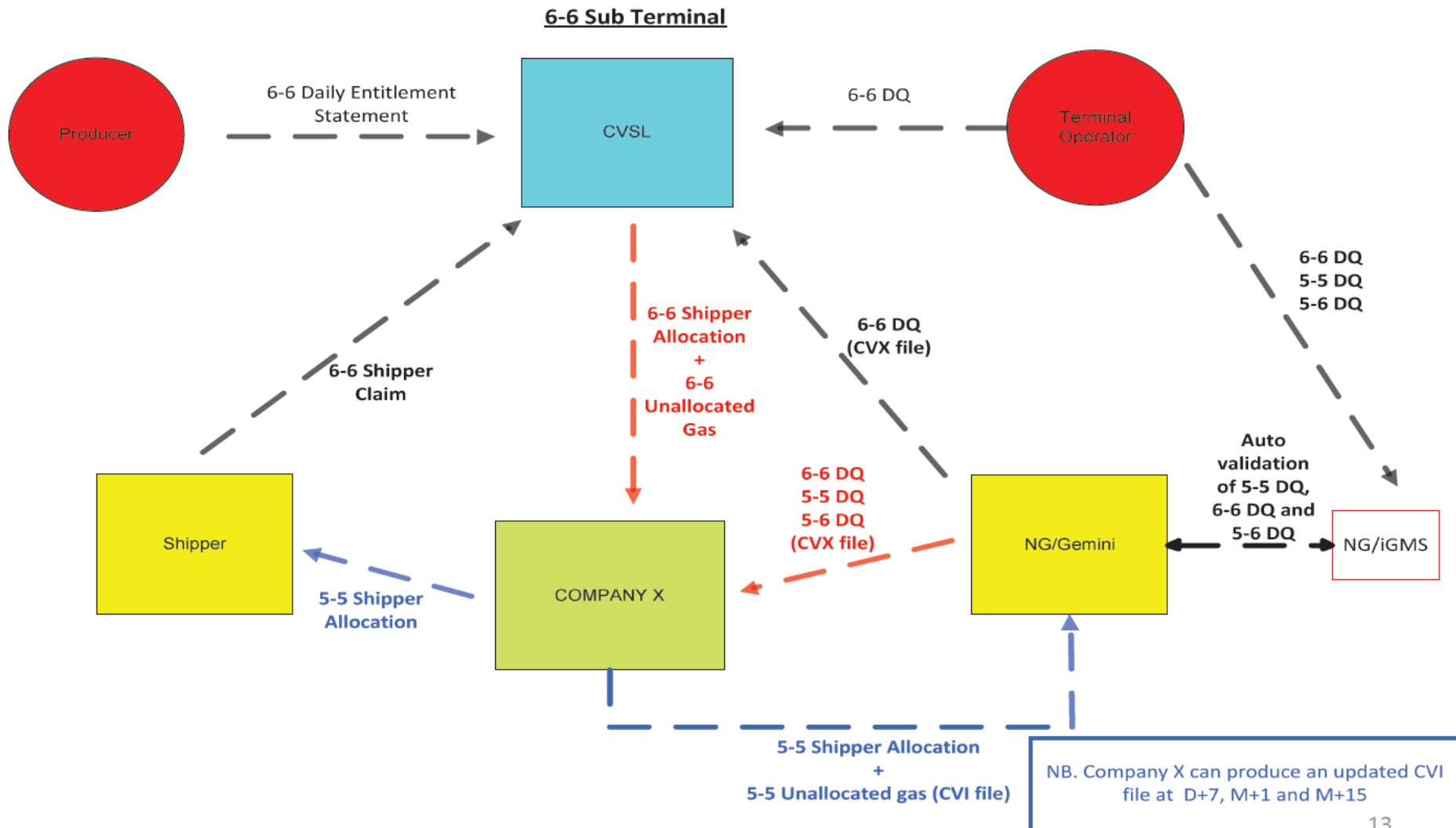
## 6-6 Sub Terminal



# 6-6 Sub-Terminal – Main Data Flows to Company X



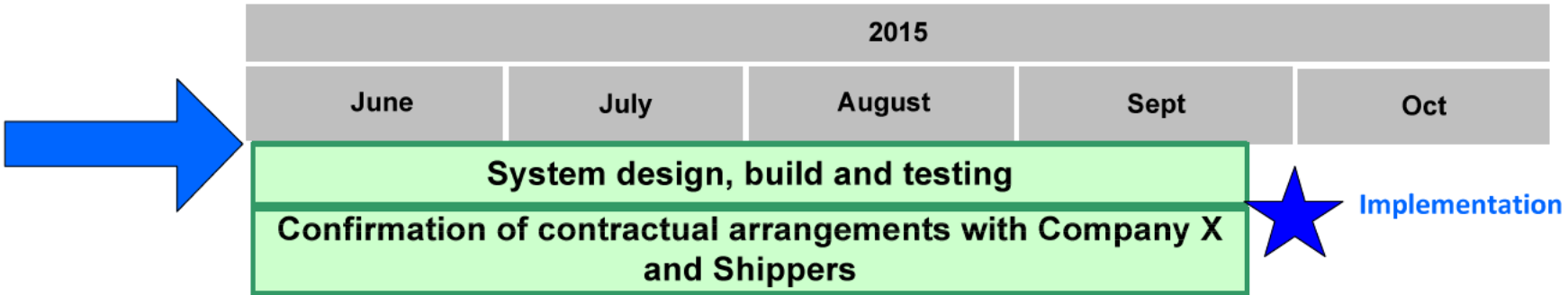
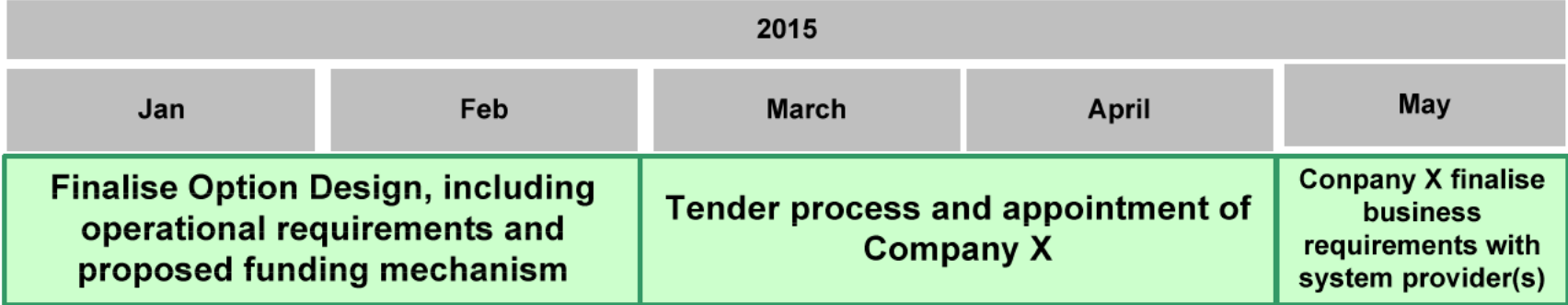
# 6-6 Sub-Terminal – Main Data Flows from Company X



## Detailed Description of Company X

- Company X will need to interface with both CVSL CLAIM system and NG Gemini system to access data to provide the Shipper allocations (subject to Xoserve's ability to make these changes prior to Oct 2015)
- As no terminals have declared whether they are remaining at 6-6 or moving to 5-5, and time is short, Company X will need to build the system before signing up users
- High level cost of system ~£0.5M
- High level estimate of time to build ~3 months (with ~ 1 month for testing)
- Company X will need to recoup their initial investment plus charge an ongoing operational cost of service
- Company X will require a guaranteed minimum period for the service to be in place in order to calculate its cost of service
- Shippers will be required to sign up directly to Company X to use the service
- Charging targeted at Users benefiting from the service
- Company X will need to factor into its set up cost, the risk of few or no Shippers signing up to the service

# Estimated Timeline





## Recommendation & Discussion

- Due to time constraint recommend Option A is further developed:
  - How to allocate contract and to whom?
  - Decision on Interim period
  - Consideration of impact to Gemini and whether it is feasible for Xoserve to make the file changes needed by Oct 2015
- Further development of Option B to be continued once Option A is implemented and its effectiveness assessed



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