



Promoting choice and value
for all gas and electricity customers

OFGEM Update - Gas Operational Forum

12th January 2011

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RIIO and BBL

RIIO (Revenue = Incentives + Innovation + Outputs) model

- Consultation on strategy for the next transmission price control (gas and electricity)
- RIIO price controls documents released on 17th December
- Responses required by the 4th February

BBL

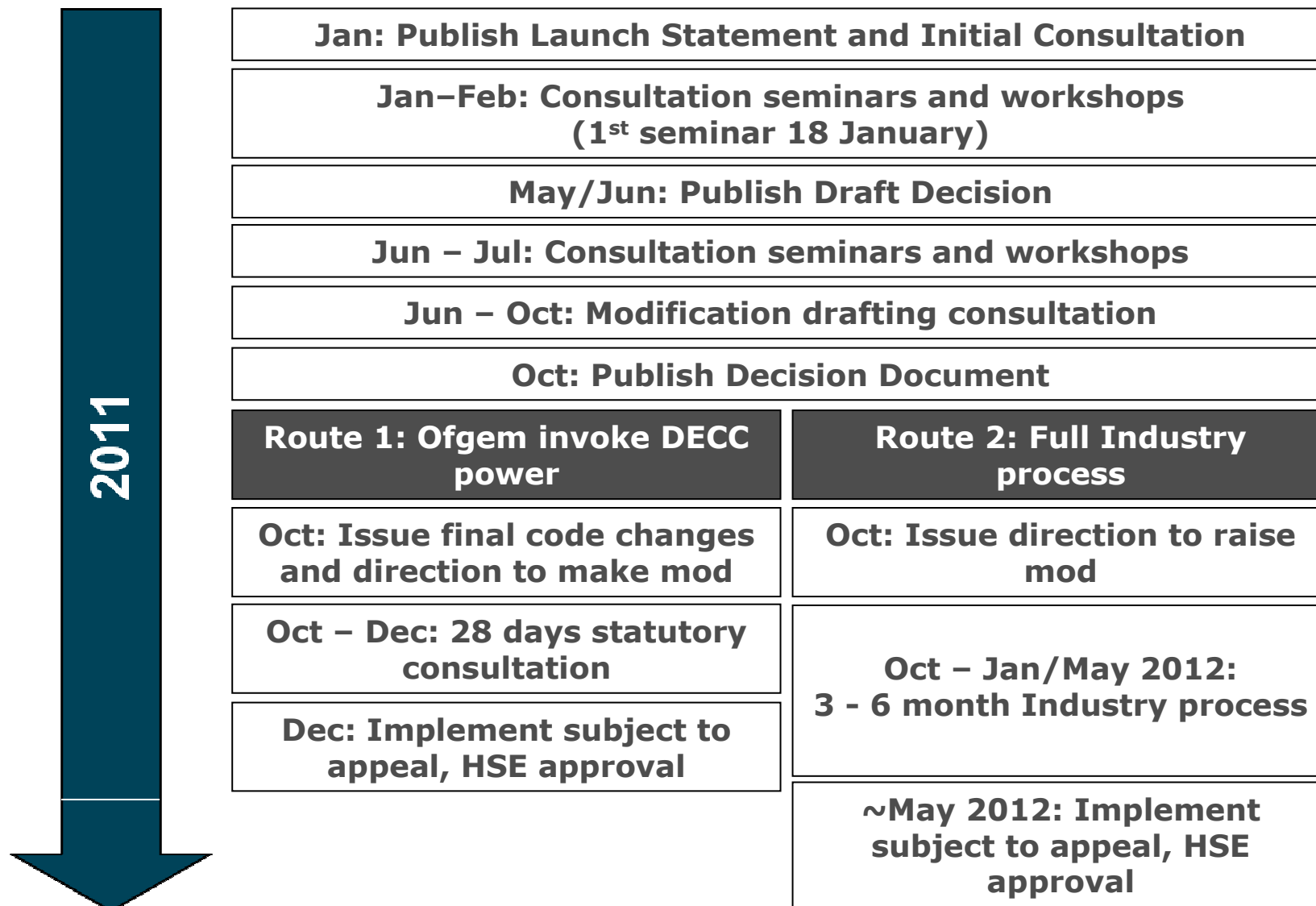
- Now started providing an interruptible reverse flow product
- An agency agreement to sort out the arrangements for multiple shippers has been devised
- This will allow shippers to offset physical forward flows from Netherlands to GB by booking a reverse flow in the direction GB – Netherlands

Gas Significant Code Review (SCR) - Background and Context

- **Project Discovery**
 - Assessment of whether market arrangements in the GB can deliver secure, sustainable energy supplies
 - Major challenges, including reliance on global gas markets
 - Key issue: security of supply is not fully priced in both gas and electricity arrangements
- **Possible remedies**
 - Reform of gas emergency cash out was a common element of all gas market options in Discovery
- **A need for additional measures?**
 - Is there a case for obligations to deliver supply security?
 - Lessons from the financial crisis
- **We are directly engaged in supporting the Government's energy markets agenda**

Rationale For Reform

- **Gas cash out frozen at stage 2:**
 - Lack of incentive to import gas if frozen price is relatively low.
 - No signal to buy gas up to consumers value of lost load.
 - Insufficient compensation arrangements for firm load disconnection.
- **Additional risks from exposure to global gas markets**
- **Increased incentives on suppliers to avoid emergencies**
 - Increased financial exposure to emergency would increase incentives
 - Increased value of forward contracting and gas storage





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Link to documents

<http://www.ofgem.gov.uk/CustomPages/Pages/LiveConsultations.aspx>

Any questions?

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

by e-mail

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or

by telephone

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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 is a close-up of a gas burner with a flame. In the foreground, there are stalks of wheat. A large, semi-transparent white arrow points from the top right towards the bottom left, passing behind the text.

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