

Safety Monitor Update November 2007

Background

At the end of September National Grid published the 'Safety Monitors' and 'Firm Gas Monitors' for the 2007/08 winter, pursuant to National Grid's obligations under the Uniform Network Code (UNC), Section Q¹. We stated that we would continue to review the safety monitor and firm gas monitor levels throughout the winter and, if necessary, we would revise them to reflect material changes to the supply-demand balance. With the receipt of further supply information, the outcome of Trades and Transfers and observed supply performance for October, this note reviews the supply assumptions, with respect to any potential impact on the safety monitor levels.

Safety Monitor Supply Assumptions

Table 1 shows the supply assumptions used in calculating the Safety Monitors. They are the 'Final View' supply assumptions from our Winter 2007/08 Consultation Report², with an additional 20 mcm/d supply risk allowance, due to the significant level of uncertainty associated with the supply background, relating both to the construction and utilisation rates of new importation infrastructure.

Table 1 – Supply Assumptions by Supply Source

Supply source	Assumed flow (mcm/d)	CV ³ (MJ/m3)	Assumed flow (GWh/d)
UKCS ⁴	227	39.30	2474
Norway	80	40.00	889
IUK	50 ⁵	38.82	539
BBL	25	39.00	271
LNG imports	33	39.63	363
Supply risk allowance	-20	39.30	-218
Total	395		4318

Review of Supply Assumptions

1. UKCS – even with demands to date below 300 mcm/d, UKCS supplies with the exception of Bacton have broadly met our winter forecast levels. As Bacton receives some gas from high swing fields there is currently no need to change our UKCS forecast.

¹ <http://www.nationalgrid.com/NR/rdonlyres/2E0D0DEB-4365-4261-8ECC-6F40557EC664/20254/StorageMonitorsSeptember2007>

² <http://www.nationalgrid.com/NR/rdonlyres/563CDA40-A384-464C-9F2A-FE47C5701CEB/20233/WCR26sep2007final.pdf>

³ An estimated CV has been applied to assist conversion of data published in both volumetric and energy terms

⁴ Assumes average availability of 90% max UKCS

⁵ Based on demands of 450mcm/d or higher

2. Our estimates for Norwegian flows⁶ suggest they have on occasion exceeded 90 mcm/d, some 10 mcm/d above our forecast, with highest Langeled flows above 60 mcm/d and highest Vesterled flow estimates above 30 mcm/d. Whilst some upside to our Norwegian flow forecast appears possible, we are currently discounting this until such flows are observed under higher demand conditions (UK and Continent).
3. As expected for the levels of demand experienced to date we have observed only modest IUK imports. Forecasts for higher IUK imports are still expected at higher demand conditions.
4. BBL flows have now exceeded our forecast, we are currently discounting this until such flows are observed under higher demand conditions (UK and Continent).
5. Press reports indicate that LNG deliveries through Dragon are now due in 2008 rather than Q4 2007. Due to the timing uncertainty and the need to be prudent for security of supply analyses we are now excluding supplies from Dragon in our winter supply assessment. This loss of 20 mcm/d is accounted for in our supply risk allowance. Any deliveries from Dragon will therefore now provide an upside to our winter supply assessment.
6. The outcome of the Transfer & Trade auctions⁷ increases the Easington entry capacity from approximately 98 mcm/d to 106 mcm/d. Whilst this provides an upside to our Easington assessment, donor ASEPs may be lower. These in turn and other ASEPs may also be higher due to the proposed introduction of 'Discretionary Interruptible Arrangements'.

As we are yet to observe Easington flows above the existing 98 mcm/d Baseline, the consequential impact on donor ASEPs or the introduction of discretionary interruption we are not yet proposing further changes to our winter supply assessment. **Therefore our winter supply assessment remains the same with the exception of a reduction in LNG imports of 20 mcm/d. As this is accounted for in the use of the supply risk allowance, the safety monitor levels remain unchanged.** As no supply risk was included in the firm gas monitors, these are now higher as now shown on our website⁸.

We will continue to review the safety monitor and firm gas monitor levels throughout the winter and, if necessary, we will revise them to reflect material changes to the supply-demand balance.

⁶ Includes Langeled and estimated flows for Vesterled. Tampen flows are currently included in UKCS assessment.

⁷ <http://www.nationalgrid.com/uk/Gas/Data/CA/>

⁸ <http://www.nationalgrid.com/uk/Gas/Data/storage/>