

Development of the UK National Balancing Point (NBP) Gas Hub

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Some statistics...

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The number of times emergency measures have been deployed this century

158

The number of licensed gas shippers

50

The percentage by which carbon emissions have fallen from 2010-2018 in the energy sector

64

The number of active electricity and gas suppliers

2.5bn

The amount in £ of direct subsidies targeted at vulnerable households in winter

20

The percentage of consumers switching suppliers last year

Source: Ofgem State of the Market Report 2019

The NBP took a while to establish itself...

1986 

Gas Act: privatisation of British Gas and beginning of a regulatory framework

1995 

2nd Gas Act: framework for unbundling and licencing to achieve full competition

1996 

The Uniform Network Code: Set out TPA & balancing rules and established the NBP

1999 

Introduction of on-the-day commodity market (OCM) for spot trading and balancing

The NBP and the UK gas market

- The UK gas market is a competitive market facilitated by an abundance of physical and commercial players
- An accessible National Transmission System (NTS) is central to an effective hub
- National Grid plays a key role in facilitating the market by ensuring demands are met anywhere on the network
- The UNC forms the basis of a commercial agreement between shippers and National Grid

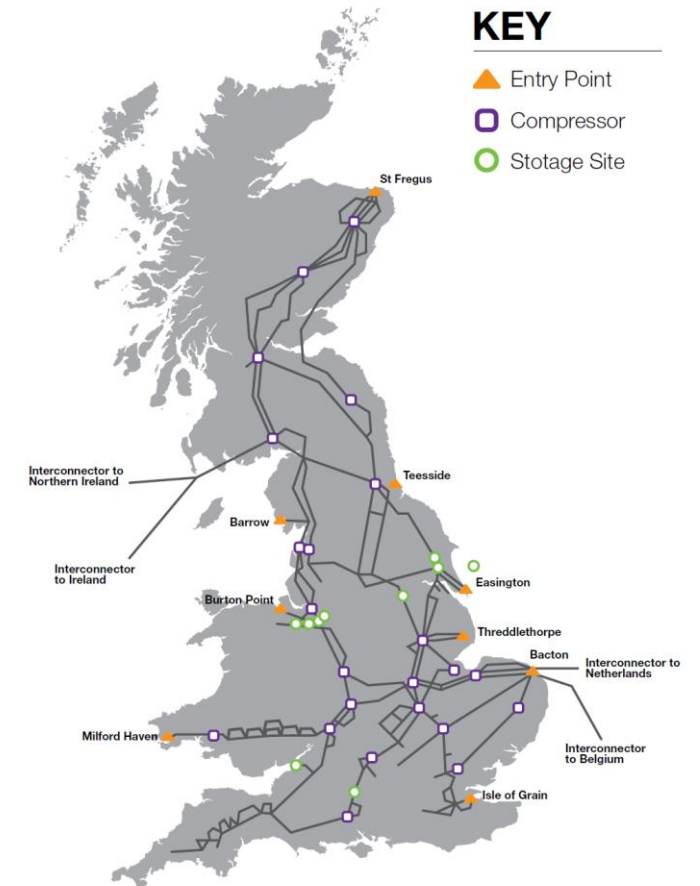
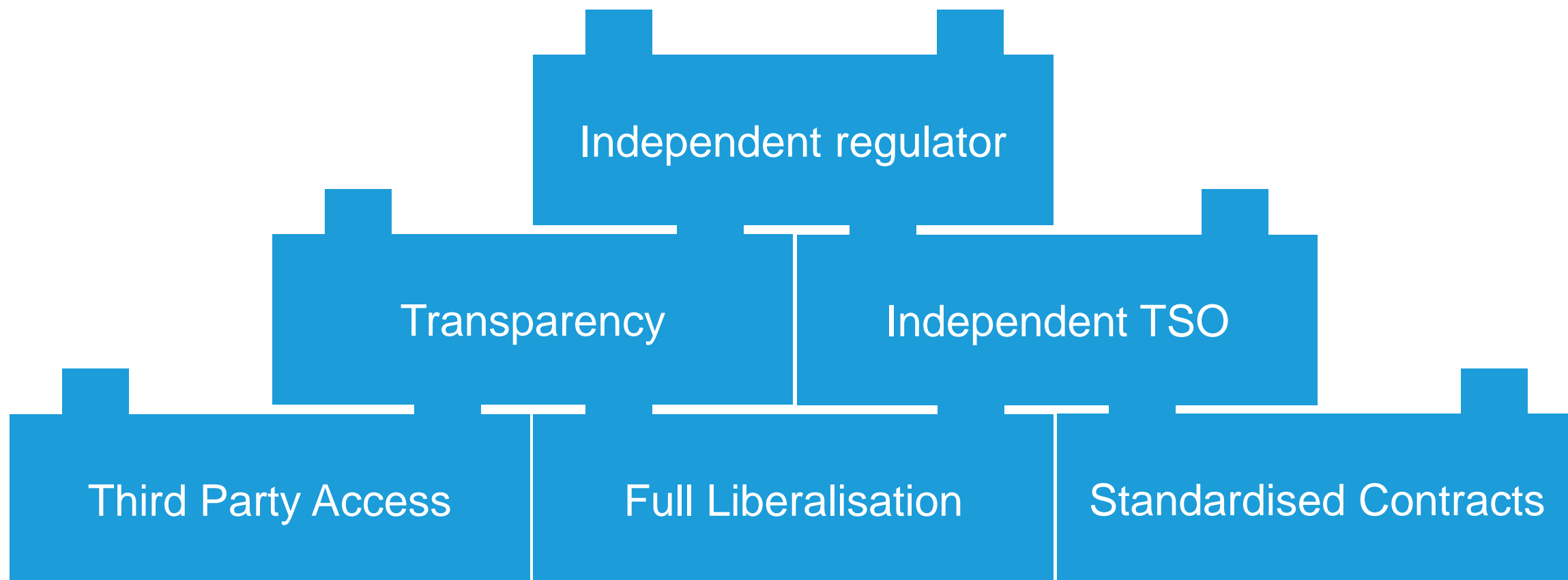


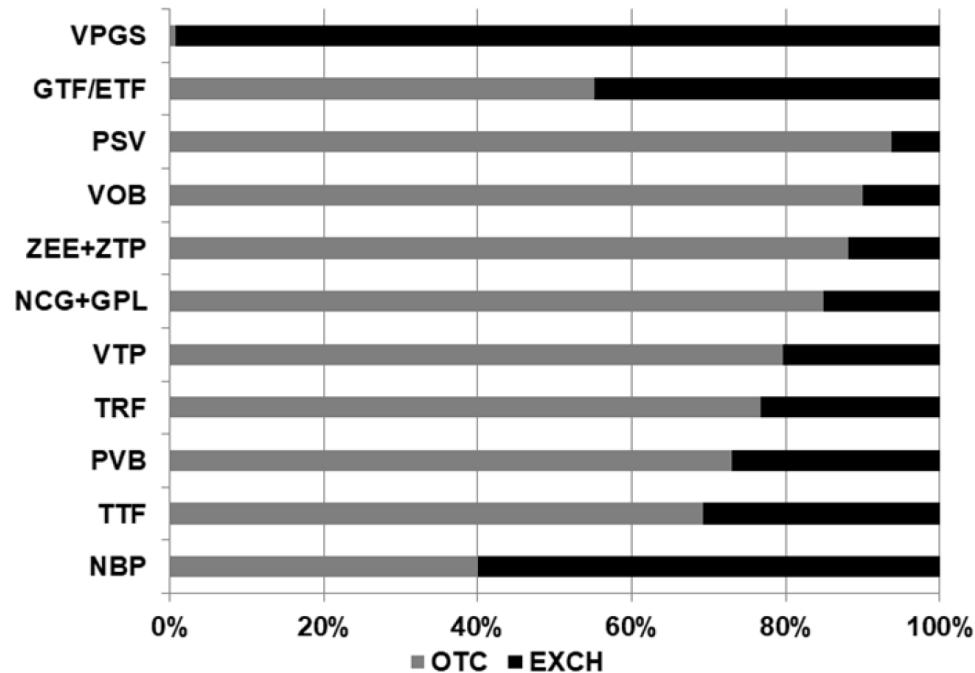
Image: National Grid

Building Blocks of the NBP

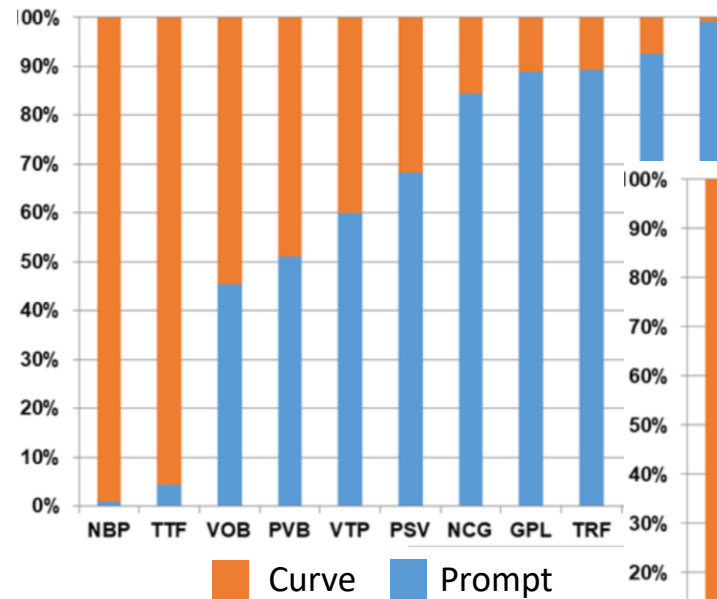


The NBP offers a wide range of prompt and forward products

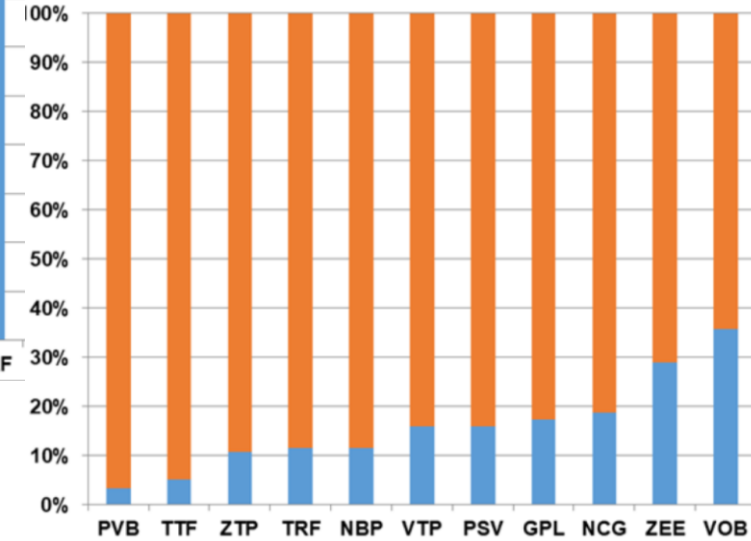
OTC and Exchange Market Shares of European Hubs



OTC Product Shares



Exchange Product Shares



Source: Oxford Institute for Energy Studies, 2019

Key Indicators of Hub Health

HUB	Active Market Participants*	Traded Products**	Traded Volumes	Tradability Index (Q4)	Churn Rate	Score /15***
TTF	189	50	28220	20	70.9	15
NBP	151	44	15105	16	16.9	14
NCG	137	23	1760	15	3.8	9
GPL	105	21	1150	14	2.8	9
PSV	102	20	1060	14	1.4	9
VTP	83	16	650	10	6.9	8
TRF	50	17	780	12	1.7	7
ZEE	47	16	460	7	3.1	7
ZTP	45	12	150	3		7
PVB	41	11	100	0	0.3	5
VOB	19	11	80	5	0.9	5

* Hub Score in the OTC Active Traders table.

** Score /56 derived from the OTC and Exchange product categories in the Traded Products Table.

*** Score based on each of the Key Elements scoring zero for Grey; 1 point for Red; 2 points for Amber; 3 points for Green.

Conclusions

Competitive

**Time to
Develop**

**Common
Building
Blocks**

**Political &
Commercial
Will**

Evolution

Thank you!

