

Modification proposal:	Uniform Network Code (UNC) 097/097A: modification to publish aggregated ex-post information for pipeline interconnector offtake flows.		
Decision:	The Authority¹ directs that modification proposal 097A be made²		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	26 January 2007	Implementation Date:	1 October 2007

Background to the modification proposal

In order to increase the availability and transparency of information concerning the supply and demand conditions in the gas market, a number of Modifications were raised in the lead up to and during the course of winter 2005/06, a period characterised by high and volatile prices in the GB wholesale gas market. Modifications 97/097A are two further proposals, seeking the release of information regarding pipeline interconnector offtake flows³.

The modification proposal

Modification Proposal UNC 097 ("Modification 097") was raised by E.ON in July 2006 and Modification Proposal UNC 097A ("Modification 097A") was raised by National Grid Gas NTS plc in September 2006. Both proposals would represent an increase in information available to the market with the key difference between the proposals being the method of releasing the information.

E.ON believes that the substantial forecasting sensitivities surrounding demand through the Irish interconnector means that there is clear benefit associated with publishing ex-post data for aggregated interconnector offtakes. E.ON also believes there would be benefit for all NTS users to have this additional information available which would allow them to understand and better assess system demand as a whole and aid understanding of the energy outlook during the winter.

Due to their similarities, Modifications 097 and 097A will be considered together in this letter.

Modification 097

The modification seeks to, as noted earlier, publish the previous days aggregated offtake flows for each pipeline interconnector on both the Gemini system (to allow shippers to

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986

³ Mod 006 was implemented on 3rd October 2006. In a bid to increase market efficiency it required National Grid Gas NTS Plc to publish the volume of gas supplied to each eligible sub-terminal of NGG NTS' transportation network close to real time. MOD 101: Amendment to demand forecasting timings in relation to the Gas Balancing Alert. Mod 88 – the implementation of AMR meters to help commercial and industrial customers to manage their gas consumption during times of system stress.

download data onto their risk management and forecasting systems) and NG's website. This modification also proposes that graphical representation of historical export flows of the Irish and UK-Continental interconnectors could be included as part of the National Grid Daily Summary Report or linked to it.

Modification 097A

National Grid Gas NTS plc, has proposed an alternative modification whereby the previous day's net physical offtake flow for each pipeline interconnector would be published at 11:00 on D+1 on NG's website only, and therefore would not be included as part of the Gemini system. As part of industry consideration of the proposals, this alternative has been discussed as a lower cost solution than Modification 097 as it requires amendment of one system rather than two (i.e. whereas Modification 097 seeks changes to both the National Grid and Gemini websites). This alternative would also ensure that all interested parties have access to the information at the same time and in the same location.

Those parties in support of the proposals believe the modifications would improve the facilitation of relevant objectives (a), (c) and (d) as set out in Standard Special Condition A11 (1) of the Gas Transporters Licence⁴ as follows:

Relevant Objective (a) – the efficient and economic operation of the pipe-line system to which this licence relates. The modification would provide industry parties with appropriate levels of information to enable them to forecast better demand and make more appropriate trading decisions.

Relevant Objective (c) – so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under its licence. The modifications would allow parties access to information allowing better informed decisions on demand side response requirements thereby reducing price volatility. These improvements in decision making could lower the requirement for NG balancing actions and potentially improve security of supply.

Relevant Objective (d) – so far as is consistent with relevant sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers, suppliers and DN operators. Both proposals would provide additional information to market participants aimed at providing a level playing field on a transparent and consistent basis.

UNC Panel⁵ recommendation

Both proposals were discussed at the UNC Modification Panel (the Panel) meeting held on 22nd December 2006. The recommendation from the Panel following this meeting was for both Modification 097 and Modification 097A to be approved. However, when asked to consider which of the two proposals was preferable (given their similarities), the Panel voted in favour of Modification 097A.

⁴ This Licence Condition can be viewed at: http://62.173.69.60/document_fetch.php?documentid=6547

⁵ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

The Authority's decision

The Authority has considered the issues raised by both modification proposals and the Final Modification Report (FMR) dated 22 December 2006. The Authority has also considered and taken into account the responses to the Joint Office's consultation on the modification proposals which are attached to the FMR⁶. The Authority has concluded that:

1. implementation of **Modification 097A** would better facilitate the achievement of the relevant objectives of the UNC⁷ and that, of the two proposals being considered, modification 097A best facilitates these objectives;
2. directing that **Modification 097A** be made is consistent with the Authority's principal objective and statutory duties⁸.

The Authority has therefore decided not to recommend implementation of Modification 097.

Reasons for the Authority's decision

Ofgem considers that both Modification Proposals 097 and 097A impact on the facilitation of relevant objectives (a), (c) and (d) of the UNC most significantly. We have set out below the reasons why we believe that Modification 097A would better facilitate the achievement of these objectives.

Relevant Objective (a) – the efficient and economic operation of the pipeline system to which this licence relates

Information provision

The experience of a tight gas supply during winter 2005/06 has highlighted to all market participants the importance of having access to timely, good quality information. Both proposals seek to ensure that additional demand data is available to assist all parties in achieving greater accuracy in their demand forecasting activities. This is beneficial as it will allow customers to be better prepared to interrupt consumption if gas prices reach a certain level, thereby facilitating balancing of the system in an economic and efficient manner.

We agree with the views of the majority of respondents who consider that the modifications will provide increased transparency to the market and provide information that is beneficial in assisting in demand forecasting and potentially lowering price volatility and better understanding of price movements. We also consider that these modifications are consistent with previous decisions in allowing all market participants to access to information previously restricted to a subset of market participants.

We note the concerns of one party that publication of Irish interconnector exports would isolate a specific Very Large Daily Metered Customer (VLDMC) and that the modification

⁶ UNC Modification proposals, Modification Reports and Representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

⁷ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: http://62.173.69.60/document_fetch.php?documentid=6547

⁸ The Authority's statutory duties are wider than matters, which the panel must take into consideration and are detailed in the Gas Act 1986.

should be applied to all VLDMC points on an “all or nothing” basis and that it should not be applied to particular VLDMCs in isolation. However we consider that in this case any associated risks are mitigated, bearing in mind the large number of parties with capacity in the Irish interconnector. We note that IUK currently publishes information regarding its flows on a D+1 basis.

Publishing location of additional information

The respondents highlighted benefits of publishing on both the Gemini system and the NG website. Those respondents in favour of Modification 097 suggested that the advantage of publishing on the Gemini system as well as on the NG website was the downloading of information including historical data and the ability to interface with market participants current systems.

Those respondents in favour of Modification 097A, and therefore publication of this information on the NG website only, felt that the lower costs of implementation and the ability to reach all market participants via the one platform (i.e. shippers and customers alike) meant it was more economic and efficient and therefore, relative to Modification 097, better facilitated the relevant objective. We agree that the additional cost of publishing on both the Gemini and NG website systems as proposed by Modification 097 is not economic and efficient. Whilst appreciating the concerns of those respondents who requested the information to be published on both the Gemini and NG websites we consider that by publishing on the NG website only, as proposed by Modification 097A, implementation costs can be reduced and that this will ensure there is one transparent location for all the relevant additional information. The publication of 006 data on the NG public website has proved to be successful this winter and provided an easy accessible portal for viewing and downloading of the offshore flow data.

Relevant Objective (c) – so far is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee’s obligations under its licence

The additional information provided by both proposals will allow market participants to make more informed purchasing agreements and therefore compete more effectively within the market. We agree with respondents that this may on occasion assist NG in reducing balancing actions and therefore provide greater levels of efficient and economic operation of the system. However we note that the information is to be released on an ex post basis and would therefore have benefit only in a historical capacity.

Relevant Objective (d) – so far as is consistent with relevant sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers, suppliers and DNs

As with previous modifications we have highlighted the importance of ensuring that access to information should be more accessible to all on a level playing field, and as such where economic and efficient, all market participants should have the same information available to them on a consistent and transparent basis. We therefore consider that implementation of both proposals would encourage further effective competition between shippers, suppliers and DN operators.

Therefore, while we consider that both proposals better facilitate the achievement of relevant objectives (a), (c) and (d), the lower implementation costs of Modification 97A make it a more cost effective and efficient proposal overall.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority hereby directs that modification proposal UNC 097A: modification to release aggregated ex-post information for pipeline interconnector offtake flows be made.

The implementation date is 01 October 2007.

We acknowledge that this implementation date is set late in the year. However, historically, the summer period is not as critical for demand forecasting and it should be noted that information regarding IUK flows is currently available D+1 on the IUK website. It should also be noted that due to relevant areas of overlap with Modification Proposal 121, which is to be considered in the near future by the Authority, there may be overall cost savings in implementing these modifications jointly, should the Authority consider it appropriate to approve implementation of Modification Proposal 121.

Yours sincerely



Sonia Brown
Director, Wholesale Markets

Signed on behalf of the Authority and authorised for that purpose.