

**Modification Report**  
**Publication of Shrinkage Provider gas procurement and disposal information**  
**Modification Reference Number 0618**  
Version 2.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

## **1. The Modification Proposal**

The Proposal stated:

"For each gas day where the Shrinkage Provider has contracted to buy or sell gas for Shrinkage purposes, Transco should publish before the gas day the following information in respect of that gas day:

- Their unbiased estimate of Shrinkage gas requirements for the next gas day in kWh/therms;
- The volume of Shrinkage gas purchased and sold before the day;
- The number of buys and sells trades executed in respect of that gas day;
- The delivery point of all Shrinkage gas bought and sold, whether at the NBP or at the beach.

For each gas day, Transco should publish after the gas day the following information in respect of the day before:

- Their final net Shrinkage position in kWh/therms
- The volume of Shrinkage gas purchased and sold on the day;
- The total number of buys and sells trades executed in respect of that gas day;
- The weighted average price of all buys and sells
- The delivery point of all Shrinkage gas bought and sold, whether at the NBP or at the beach.
- The minimum price at which the shrinkage gas was bought
- The maximum price at which the shrinkage gas was bought
- The minimum price at which the shrinkage gas was sold
- The maximum price at which the shrinkage gas was sold."

## **2. Transco's Opinion**

Transco does not support implementation of this Modification Proposal.

Transco recognises the desire for greater information release and is supportive of such initiatives where they are appropriate, for example where additional information release furthers the relevant objectives and/or facilitates more efficient market operation.

Transco notes that the key assertion of proponents of the Proposal is that the Shrinkage Provider (SP) should provide extra data because of its monopoly role.

Transco believes that its monopoly role as the residual system balancer is being confused with its position as an energy trader in respect of the SP account. Transco's trading as the SP could be undertaken by a different party, and is a small part of the NBP and wider gas markets, and hence not a monopoly activity.

SP arrangements have been developed into their current form as a result of the Network Code and price control history. The SP arrangements are quite different to most other similar arrangements applied in other gas regimes, or for that matter the electricity regime in England and Wales. The role was defined, so that an independent entity could procure gas to cover shrinkage requirements rather than market players supplying the gas via an uplift mechanism as is the case in most "shrinkage or loss" regimes. This approach was adopted with potential unbundling in mind. Transco notes that the current regime already includes some adverse features which might detract from the value of performing the role, e.g. SP exposure to imbalance and INS charges with the account not sharing in any neutrality smearing benefits.

The SP account is, in almost all respects, just like any other account on the system and therefore Transco concludes that it should not be singled out for additional information release obligations that do not apply to any other account. It is the basis of the rules that should apply to the SP (independent of what entity is fulfilling the role) that should be considered in the decision as to whether to implement this Proposal.

Transco notes that in response to this Proposal some Users have argued that by virtue of the SP role as a monopoly service provider it has an advantageous position when procuring gas within competitive trading markets and that this differentiates it from other market participants. Transco contends that this distinction is misleading, the SP as a market participant has no greater advantage within any market operated by a third party than any other market participant.

However, the SP account does already supply more information to the market than other Users might supply if they were to perform the SP role. This information release was already extensive at the time that this Modification Proposal was raised but has since increased via the provision of the Procurement Guidelines Report, the first such report having been published in April 2003. Transco considers that the current level of data provision is appropriate and represents a fair compromise between transparency, to improve market efficiency, and discretion, to enable the SP to respond to the commercial incentives defined by Transco's Licence and operating regime.

Transco does not believe that the obligations in respect of extra information release for a very small account particularly in the context of projected imbalance positions ahead of the gas day which would reveal the SP position, would better facilitate market efficiency. Transco advises that in respect of its activity in the market the SP is 52nd in size representing less than 0.21 % of the Market, (these figures are based on winter 2002/03 data, which has been provided to the NT&T Workstream, with activity levels identified as the total UDQIs and UDQOs, and quantities associated with the NBP Trade Nominations). Transco notes a respondents view that such information release would place the SP in a position of distress that might be expected to increase the cost of management of the account, to the disadvantage of Transco and the community given the alignment achieved by the SO Incentive Scheme. Transco

does not believe that placing one very small player in a potentially distressed position is likely to assist the efficient operation of the gas market and therefore Transco cannot conclude that implementation of this Proposal would better facilitate the securing of effective competition between relevant Shippers.

In addition Transco is not able to conclude that implementation of this Proposal would better facilitate the economic and efficient operation of the system. Indeed Transco does not consider that any persuasive supporting arguments have been made that support the contention that implementation of this Proposal would better support the economic and efficient operation of the system.

Having paid due regard to the relevant objectives, and to the fact that the provision of extra information about the SP account will generate additional cost (which would be shared between Transco and Users via the SO incentive arrangements) without a likelihood of any benefit elsewhere, other than to specific Users who might be able to extract value from the distress of the SP, then Transco does not recommend implementation of the Proposal.

Additionally it may be more efficient for resource to be directed at managing and reducing shrinkage volumes effectively and to focus on the development of more efficient trading strategies. The value in this has been demonstrated by Transco's performance in managing NTS UAG levels during 2002/03. Shrinkage reduction initiatives reduced Shipper exposure under the incentive by around £9 million between May 2002 and end of the formula year.

In respect of this Modification Proposal and as detailed and discussed in the Draft Modification Report Transco maintains the following concerns about:

- Release of day ahead and after the day (D+1 )information may reveal the trading position and strategy of the Shrinkage Provider (SP), which may detract from efficient trading by the SP.
- The asymmetric nature of the Proposal whereby the SP account would be the only User account on the system required to publish such data.
- The size of the SP account is insignificant in comparison to other trading accounts and therefore it is difficult to understand how the Proposal would enhance market liquidity.
- The publication of information may require resource commitment every day including bank holidays and weekends thereby generating costs that might be considered "inefficient".
- Transco already provides a substantial amount of information relating to the SP account to Users and Ofgem.

The rationale behind the above statements is articulated in the earlier Draft Modification Report.

Transco concludes that the implementation of the Proposal would neither better facilitate the economic and efficient operation of the system or increase competition between Users. The Proposal seeks to inappropriately increase risks associated with managing the SP account which might be expected to increase costs associated with

SP account operation compared with the situation when the SP has discretion to release information that it feels might enhance efficient operation of the account.

Transco does not therefore recommend the implementation of the Proposal.

### **3. Extent to which the proposed modification would better facilitate the relevant objectives**

The Proposer states that the Modification would, if implemented, better facilitate the relevant objectives of the efficient and economic operation of the pipeline system for the following reasons:

- Increase competition between shippers for the provision of Shrinkage gas procurement and disposal contracts;
- Add more liquidity in the market for Shrinkage Gas management services;
- Lead to more efficient and economic Shrinkage gas management whilst lowering costs;
- Enable Shippers to better forecast their NDM/DM demand on a day;
- Enable shippers to better determine system imbalance and to achieve a more effective end-of-day balanced position;
- Enable Shippers to monitor Transco's performance vis-à-vis their Price control and Licence obligations;

With respect to the first three bullets Transco believes that the SP is currently already able to access the liquidity associated with the gas market in a similar manner to other market participants. Transco does not believe that one player, the SP, having obligations to declare its trading position would enhance market efficiency. Indeed such obligatory data release should be expected to lead, at least under some circumstances, to less efficient outcomes that might arise where greater discretion with respect to information release could be applied. If that is not the case then Transco would assume that other market participants would voluntarily reveal their position to the market; this does not appear to be how market participants operate. Thus Transco concludes that implementation of this Proposal might reasonably be expected to act to the detriment of the SP (and to the User community) by virtue of the increased costs that would result from both trading efficiency losses and extra systems and administrative costs.

In the context of the fourth bullet, implementation of the Proposal will have no impact on the current NDM Attribution processes and would not provide any new information to support Shipper forecasting of either NDM or DM demand.

In the context of the fifth bullet, it is unclear as to whether the assertion applies to either an individual User position or to the aggregate system position and, in either case, how the provision of the information required should this Proposal be implemented would enable Shippers to better determine such system imbalance and therefore achieve a more effective end of day balance position.

In the context of the sixth bullet, Transco already supplies extensive information to Ofgem to support the monitoring of Transco's performance vis-à-vis the Licence.

Additionally Transco provides a substantial amount of shrinkage information to Users after the day and does not consider that further obligations for more information are appropriate; rather that it should have discretion to release information where it considers it would lead to more efficient and economic outcomes in a similar manner to any other market participant.

**4. The implications for Transco of implementing the Modification Proposal , including**

**a) implications for the operation of the System:**

Transco does not believe that implementation of this Proposal will have any implications for operation of the system

**b) development and capital cost and operating cost implications:**

Transco believes that development costs for setting up additional web pages and data transfers could be in excess of £50,000 and ongoing reporting support for 7 day a week operation could be expected to cost around £50,000 per annum.

**c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:**

Any additional costs arising from implementation of the Proposal in respect of NTS Shrinkage would be shared with Users in accordance with the relevant SO incentive schemes. Any change in costs arising from implementation of this Proposal to LDZ shrinkage would have a direct impact on Transco given that it picks up the full cost as defined by the Licence.

**d) analysis of the consequences (if any) this proposal would have on price regulation:**

Transco is unaware of any impact this Proposal would have on price regulation.

**5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal**

Transco believes this Proposal increases the price risk for the SP as the further release of information, particularly with respect to day ahead information, is likely to further reveal it's trading strategy to market participants.

**6. The development implications and other implications for computer systems of Transco and related computer systems of Users**

Transco will have to develop new web pages for publication and mechanisms to download and verify trading information from the SP.

**7. The implications of implementing the Modification Proposal for Users**

Transco is unaware of any implications for Users in relation to this Proposal.

**8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party**

Transco is unaware of any implications for such Parties.

**9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal**

Transco believes it may need to advise counter parties, particularly for the NBP 1997 contract of data publication but that no other consequences are envisaged.

**10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages** (as stated in the Proposal)

Increased competition between Shippers for the provision of shrinkage gas contracts  
Increased liquidity in the shrinkage gas market  
More efficient and economic shrinkage gas management  
Enable shippers to better forecast their NDM and DM demand  
Enable shippers to better determine system imbalance  
Enable shippers to monitor Transco performance under the Licence and Price Control.

**Disadvantages**

Additional costs to provide the information  
Transparency of trading information may affect trading costs, with an expectation that under many circumstances costs will increase.  
Higher costs to Users and Transco through the SO incentive and LDZ price control  
Asymmetric information provision in respect of the SP User account compared with other User accounts.

**11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

Representation were received from four respondents.

London Electricity Group PLC (LE)  
ShellGasDirect (SGD)  
Entergy-Koch Trading Europe (EKTL)  
British Gas Trading (BGT)

One respondent (BGT) did not support the Proposal. Three respondents expressed support for the Proposal.

**Modification 0579**

SGD, EKTL and LE expressed the view that the Proposal was consistent with Ofgem views in respect of Modification Proposal 0579 'Facilitation of Shrinkage Provider to make NBP Trade Disposal'. SGD stated that, "Ofgem expressed its belief that Transco should ensure that it releases information regarding the procurement and sale of shrinkage gas." EKTL concluded that, "The Proposal provides an appropriate balance to the additional operational freedoms that the shrinkage manager has achieved through the implementation of Modification Proposal 0579".

### **Transco Response**

In its decision letter for Modification Proposal 0579, Ofgem stated the provision of further Shrinkage information may improve transparency. Extensive information about SP activity was already released at the time this Proposal was raised. Additionally Transco has increased the provision of information on SP activity by the publication of the first Procurement Guidelines report (available on the main Transco website). In the same letter Ofgem went on to say that, "under its normal market monitoring role, it intends to closely monitor Transco's procurement activities under the Shrinkage Provider account". Transco considers that such a statement should offer Users comfort that the SP trading activities are being appropriately monitored by Ofgem.

### **Information Provision**

BGT stated that a distinction should be made between disclosure of information on the quantities of shrinkage gas required to meet shrinkage needs and how Transco procures these volumes. The first, BGT considers to be a legitimate requirement and noted that Transco has existing obligations in this regard, whilst acknowledging there may be other information that may be of value to the community which could be identified within a short development period. BGT agreed that it is appropriate that Transco is incentivised to minimise volumes and costs. As to how Transco procures gas for shrinkage purposes, BGT believed that the SP should be afforded discretion and that it was not in the best interest of Users collectively that Transco be required to publish its requirements in advance as this could place Transco in a distressed buyer position.

SGD and LE shared the position raised by EKTL that, "Transparency aids the market and the regulator's understanding of Transco's management of shrinkage. This encourages more market liquidity through greater confidence" and enables, "Transco to demonstrate efficiency of its actions".

### **Transco Response**

Transco agrees with BGT that it should provide some information to Users in its role of SP and Transco notes that the combination of licence conditions and discretion should both ensure and facilitate efficient management of the SP account to the benefit of both Transco and the community. However, the publication of increased levels of trading information, particularly ahead of and immediately following the gas day might place Transco in a distressed position as potential counter-parties will see Transco's trading position which might be expected under some circumstances to act to the detriment of the SP.

There is already far more transparency about the management of the Shrinkage Account than for any other account on the system, save for the Transco residual system balancing account. Transco maintains the position that the SP should be afforded a degree of discretion in respect of both the approaches to procure gas for shrinkage purposes and the extent to which it can release information about the account beyond that already released, as this better facilitates the efficient operation of the Shrinkage Account.

### **Shrinkage Provider Trading Activity**

SGD and EKTL expressed the view that there were no discrimination issues in the requirement for the SP to provide more information to other Users. SGD considered that the SP was not like any other market player being asked to reveal its position stating that, "the SP provides a monopoly service". Both EKTL and SGD asserted that the Shrinkage Account was providing a physical service and that, "as Transco is restricted from speculative trading", SGD believed that the accounts position and requirements differed from that of other market players.

LE stated that there was "some merit to the statement" Transco made in its Draft Modification Report that the SP is an account no different to any other User account on the system, noting that the account was 52nd in terms of trading volumes. LE suggested that it could however be argued that the SP has, "an advantageous position by having access to every single User's AT Link and imbalance account". LE concluded that asymmetry needed to, "flow both ways".

LE stated that it had offered qualified support for Modification 0579 advising that, "like many Shippers expressed concerns regarding Transco's ability as the monopoly System Operator to effectively trade unlimited quantities of gas associated with Shrinkage and potentially take speculative positions when managing the account". LE noted that although Transco stated in the Draft Modification Report that the Shrinkage Provider would only sell up to the quantity of gas bought in respect of the day, the legal text for Modification 0579 did not prevent or limit the Shrinkage Provider from purchasing unlimited quantities of gas ahead of the day if it believed it was required for shrinkage purposes, and then dispose of any excess gas up to that limit at the NBP.

SGD, EKTL and LE expressed the view that with the Shrinkage Provider's increased ability to trade it was essential that the industry felt, "comfortable about how this will affect the market" (SGD). LE stated that, "Transco's ability to affect market prices in this respect is apparent" and contended that the, "true level of Shrinkage gas required on a day may therefore not necessarily reflect the quantities purchased before the day". LE continued that, "Users will not know exactly which volumes of Transco trades have been used for which system management services", and that, "for these reasons and others the industry should be provided with the information requested through this proposal".

LE stated that the Shrinkage Account may be outsourced by Transco in the future and believes that, "Shippers should have an understanding of how the



Shrinkage Account works and operates with figures being published relating to Shrinkage gas procurement."

### **Transco Response**

The SP arrangements are in almost all respects, just like any other account on the gas system. SGD and EKTL both reject Transco's view that the SP account is the same as any other account in the market place. SGD and EKTL use the distinction that the SP is a monopoly physical operator as the reasoning behind differentiating this market participant from any other. Transco believe that this may be confusing the distinction between Transco's monopoly role as the residual system balancer and its role as Shrinkage Provider. Additionally Transco considers that this distinction is misleading in the context that the SP is trading in a competitive market place just like any other market player. As other traders in that market are unlikely to wish to reveal their strategies, it would seem discriminatory to compel one such participant to reveal such data and by implication strategy, to all others in that market. EKTL suggests that information flows are rarely detrimental to the traded market so long as they do not expose parties to unmanageable risk. Transco believes this would be the case for the SP should it be the only party required to have the information disclosure obligation defined in this Proposal, and would welcome clarification on the information published by EKTL in light of their view on the benefits of information. Transco notes that EKTL and SGD state that the SP provides a physical service, although Transco believes that in the context of this proposal all users involved in the delivery of gas to offtake points might similarly be regarded as providing a physical service.

LE asserts that the SP benefits from an advantageous position of having access to all user accounts on AT Link. Transco advises that the SP procures gas for shrinkage purposes taking account of the Shrinkage Factor published day ahead and only purchases against the level of the Shrinkage Factor applicable for that day. Under the current arrangements Transco fails to see how Users AT Link account information would benefit the SP in the procurement of gas for shrinkage purposes and would welcome clarification from LE as to how this might be expected to arise. For the avoidance of doubt, however, Transco wishes to make it clear that it does not use Shipper specific information other than any such information provided through the market operator screens, which is clearly available to any subscribers to such services. Transco notes LE's concerns about the SP scope to buy unlimited quantities of gas. However it needs to be recognised that Transco has obligations that prevent speculative trading and which limit its ability to dispose of gas within the SP account. Additionally Transco has an obligation to operate the system in an economic and efficient manner. Therefore LE should be confident that the combination of obligations and regulatory monitoring should ensure that the SP account is managed in a manner that could be considered appropriate by Users.

In response to LE's concern that Users will be unsure which "volumes of Transco trades have been used for which system management service" Transco advises that currently all system balancing actions are only taken on the OCM and only within or very shortly before the day. These trades are not procured

through the SP account and therefore Transco fails to see the relevance of such a concern in the context of this Proposal.

Transco is unclear how such a minor player in the market as the SP could have any significant influence on market prices provided it is allowed access to the market in the same manner and under the same information disclosure obligations as other market players. Transco observes that none of the few responses received provided any substantive evidence that increased market liquidity and competition would be the outcome should this Proposal be implemented. Indeed, if the present arrangements for the SP account create a significant detriment to market liquidity and competition, Transco would have anticipated a greater level of response in support of this proposal given the importance of the NBP market to all players.

In response to LE's view that in the event that the SP is outsourced Users would need to be sure that they had an understanding of how the Shrinkage Account operates, Transco notes that the SP arrangements are a result of Network Code/price control history. The Network Code already provides clear statements as to how the SP arrangements work. If Users feel the need to understand the arrangements it is their responsibility to read, and develop an appropriate understanding of the relevant sections of the Network Code.

### **Competitive Advantage**

LE stated that the Shrinkage Account Manager, "has in place certain contracts with one or more Shippers for the provision of buying and selling gas for Shrinkage purposes". LE asserted that the unique nature of these contractual arrangements offered such contracting Shippers, "a competitive advantage .... as they have access to information about system shrinkage and thus demand and also gas prices which Transco has traded at". In respect of this transparency issue LE considers that implementation of this Modification would, "iron this out by creating a level playing field" in respect of the level of information provision relating to Shrinkage gas procurement.

### **Transco Response**

The SP will transact with any potential service provider able to provide the desired services. The Network Code provides that the SP may procure gas prior to entry to the system or at the NBP, the arrangements for which need to enable SP compliance with the Network Code. It is unclear to Transco how these arrangements offer any competitive advantage to those counter-parties who trade with Transco or how it limits competition.

### **Alignment with Electricity**

LE expresses the view that, "there is a distinct lack of information transparency in the gas industry compared with electricity, which can be argued is the cause of much of the uncertainty around system demand and imbalance positions in gas". LE noted that in Electricity, Transmission losses, equivalent to Shrinkage in gas, are now published day ahead after Ofgem implemented P82 - 'Introduction of Zonal Transmission Losses on Average Basis. LE considers that this Modification would, "better align both industries in a logical manner".

### **Transco Response**

Transco notes the claim that the electricity regime is more transparent than the gas regime. Whilst a high degree of transparency was a key principle that underpinned NETA it is important to note that most of the available information is only released after gate closure, in a regime that includes much higher imbalance incentives than in gas and where participants have very little scope to "change their positions". Transco does not believe that there is any lack of transparency with respect to gas system demand forecast information. However Transco notes, and agrees with LE's point about uncertainty in imbalance positions that arises in the gas regime as a result of the commercial freedom open to market players within day which is very different to that which applies in the electricity regime.

Transco would also draw attention to the fact that the mechanisms for dealing with losses in electricity are quite different to those applied in gas. The volume of shrinkage or losses is of importance to market participants. The electricity approach assures that market participants are financially responsible for satisfying the loss requirements via an "uplift" mechanism whereas in gas the SP procures gas to satisfy shrinkage requirements on behalf of the industry. Market players in electricity might be particularly interested in prospective "uplift" factors, the actual "uplift" factors only being calculated after the balancing period and therefore the volume uncertainty generates direct cashout exposure to market players. Information about prospective shrinkage levels in gas, whilst of no direct consequence to shippers, is provided to shippers via the provision on NTS and LDZ shrinkage factors.

Transco is not aware of any element of P82 that allows for the publication of Transmission Losses day ahead. Indeed, because in the Electricity Market no one player explicitly purchases transmission losses, the volume of losses does not become available until ex-post via settlement data. It is also worth noting that P82 will not be implemented until 1 April 2004.

### **Shrinkage Gas Incentives**

LE stated that, "Transco has a shrinkage cost target incentive to act as efficiently as possible when managing the Shrinkage Account" and that, "Shippers stand to pick up 80% of the costs associated with mismanagement of the Shrinkage Account under the incentive scheme". LE believed that this illustrated why it was important that Users, "follow and understand the Shrinkage Providers actions".

### **Transco Response**

Transco faces full exposure on LDZ shrinkage costs. NTS shrinkage costs only contribute to the performance measure associated with the NTS SO gas cost incentive. The incentive risk/reward is capped and collared, although with the active range of the incentive Transco and Shippers may face 80% of any increased costs above target and receive 75% of the benefit of any reduced costs below target. Given the split between LDZ and NTS shrinkage it is unlikely that Shippers would face anywhere near as much as 80% of any increased costs. By virtue of Transco Licence requirements and as advised within its decision letter for Modification Proposal 0579 Ofgem has undertaken to monitor the

appropriate management of the NTS SO incentive regime and the Shrinkage Account.

### **Gas Demand and Balancing**

LE, SGD and EKTL share the view that this Proposal would, "allow Shippers to better be able to determine system imbalance and be able to achieve more effective end of day balance".

LE expressed the view that provision of information proposed may offer Users with data that may, "help better forecast system demand and manage their imbalance position". LE considered that the shrinkage factors, "are an integral part of Transco's NDM forecast scaling factor calculation", with Shippers "incentivised to follow Transco's NDM Demand attribution figures....the community needs access to the same level of information upon which Transco forecasts the NDM part of system demand". LE asserted that, "The data requested would be an extra variable used for forecasting to assess system demand as Shrinkage tends to flow in the same direction as NTS Linepack - i.e. when the system is short, system shrinkage is likely to be greater".

### **Transco Response**

It is unclear how the publication of trade volumes and prices of shrinkage gas on a system basis will better enable Users to determine system balance or to achieve a better User daily balance.

In response to the LE statement that, "Shrinkage tends to flow in the same direction as NTS linepack - i.e. when the system is short, system Shrinkage is likely to be greater." Transco understands that the respondent was referring to an increase in demand leading to an increase in shrinkage requirements rather than a direct relationship between linepack depletion and shrinkage which Transco does not believe exists.

Although Shrinkage does form a component of forecast demand and allocation Transco currently forecasts LDZ demand and applies the NDM attribution process to derive NDM nominations for Users. Transco populates AT Link with the relevant NDM nominations on behalf of Users.

Transco advises that under the current balancing regime Shippers are not incentivised to follow Transco's NDM demand attribution figures. However they might choose to adopt this approach as a contributory factor in mitigating their exposure to imbalance cashout.

### **Cost of Implementation**

BGT considered that the costs associated with implementation of this Proposal outweigh any potential benefits.

EKTL suggested that the additional cost would mainly be in respect of shorter reporting periods.

SGD stated that if Transco considered, "the cost of providing this information is too high, then it should consider whether it values the ability to make trade disposals at all".

LE suggested finding alternative ways of publishing data, such as on the NB92 screen on AT Link to reduce costs. Furthermore, that volume data could be published on AT Link with price data on NORMS and SORMs after the day. LE also suggested that as Transco currently published other data, within day and after the day, on the website that reporting procedures will not differ.

### **Transco Response**

Transco is concerned that the additional costs and resource burden generated associated with implementation of the Proposal should be considered. The costs of additional information release will be shared between Transco and Users in accordance with the incentive arrangements defined in the Licence. Transco therefore concludes that not only would the Proposal risk generating higher costs of gas procurement to the SP but that it would additionally increase SO operating costs for no demonstrable benefit to the community. Therefore Transco agrees with BGT that the costs associated with implementation of this Proposal would outweigh any potential benefits.

LE has suggested a number of alternative solutions, one of which involves publishing information on an existing AT Link screen, the costs of which are likely to exceed those already quoted. Other suggestions include reporting through NORMs and SORMs which are monthly reports, therefore running counter to the Proposal which requires before the day and after the day reporting. LE has suggested that Transco may wish to publish such information through the website. Transco advises that as part of this Proposal it has indicated costs for the provision of proposed information via a Transco website.

### **LDZ/NTS Shrinkage Values**

LE stated that, "whilst the Modification only deals with the publication of aggregate shrinkage positions, consideration should be given to splitting volumes by NTS/LDZ". LE requested that Ofgem considers whether, "it is worth having when making their final decision".

### **Transco Response**

The NT&T Workstream stated that the Proposal had been developed sufficiently to proceed to consultation at the 27th February meeting. For such a change to be contemplated, with all the attendant complications to be considered, Transco believes that the Network Code process would not enable the Proposal to be changed at this stage in the process and therefore a new Proposal would need to be raised.

### **Implementation Date**

Should Ofgem decide it warrants implementation, LE believes that the Modification should be implemented with immediate effect. LE noted that, "Three months have already passed since Modification 579 was implemented and as such shippers have not had the opportunity to assess the impact of this modification and what, if any the impact has been on gas prices".

### **Transco Response**

The low level of support for this Proposal (2 Respondents other than the Proposer) may indicate that Users do not place a significant value on such information provision.

### **Definition Request**

The DMR prompted potential respondents for assistance with the definition of the requirement. No respondents have provided any clarification despite the fact that the original Proposal included substantial ambiguity as acknowledged at the 27th February NT&T Workstream.

**12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation**

No such requirement exists in respect of this Modification Proposal

**13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence**

No such requirement exists in respect of this Modification Proposal

**14. Programme of works required as a consequence of implementing the Modification Proposal**

A programme of works will need to be developed to implement the reporting requirements

**15. Proposed implementation timetable (including timetable for any necessary information systems changes)**

Development of a timetable will be subject to any Ofgem decision with regard to the Proposal

**16. Recommendation concerning the implementation of the Modification Proposal**

Transco does not recommend implementation of the Proposal

**17. Restrictive Trade Practices Act**

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

## **18. Transco's Proposal**

This Modification Report contains Transco's proposal not to modify the Network Code and Transco now seeks agreement from the Gas & Electricity Markets Authority in accordance with this report.

## **19. Text**

Transco does not support the Proposal and therefore has not provided legal drafting.



Signed for and on behalf of Transco.

Signature:

**Nigel Sisman**  
**Development Manger - Gas Balancing**  
**NT & T**

Date: