

Information Transparency Proposal

Introduction: In recent years as the decline of the UKCS has become more pronounced and the inter-dependencies with Europe have increased there has been ever growing focus on information transparency and availability of gas in the market. This mainly stems from market players' desire to fully understand market dynamics, supply availability and demand. Against this backdrop a number of modifications have been raised with the objective of increasing information transparency and availability.

These modifications are Modification 006 and Modification 104 (raised by energywatch), Modification 097 (raised by EoN) and Modification 121 (raised by EdF). In summary the high level details of these proposals are outlined below:

- **Modification 006** “3rd Party Proposal: Publication of Near Real Time Data at UK Sub-Terminals”. Having been approved by Ofgem, this modification will see the publication of real time flow data for each sub-terminal (which is capable of receiving flows, individually or in aggregate, of 10mcmd), via NG's website. In supporting the proposal energywatch outlined benefits of harmonising information provision between gas and electricity markets, empowering gas consumers to make rational purchasing decisions, levelling the competitive playing field between Producer affiliates and non-integrated market participants and increasing Shippers ability to balance, therefore reducing costs.
- **Modification 104** “3rd Party Proposal: Storage Information at LNG Importation facilities”. This modification seeks the publication on NG's website of the aggregate physical gas in storage levels allocated to LNG system Users at LNG importation facilities. The proposal does not go into specific detail as to how release of this information would be of benefit to the market, but does highlight in general terms how improvements in transparency will assist purchasing decisions and facilitate improvements in security of supply, which should in turn reduce the cost to consumers.
- **Modification 097** “Modification to release aggregated ex-post information for pipeline interconnector offtake flows”. This modification proposes that the previous day's aggregate actual input and offtake flows are published for each pipeline, both on the Gemini system and on the website. In addition it is proposed that historical UK-Continental and Irish Interconnector export flows be graphically represented. Benefits are cited as Users having the appropriate level of information to forecast demand more accurately and as a result reduce price volatility.... and better understand price movements, building confidence and facilitating security of supply.
- **Modification 121** – “The Provision of ex-post demand information for all NTS Offtakes”. This modification proposes that the previous day's total physical flows from the National Transmission System, aggregated by LDZ and by individual physical offtake points, are published on the following gas day. The scope of offtake points covered includes storage sites, power stations,

interconnectors and NTS connected industrial loads. The modification notes that there is greater transparency and availability of information in relation to gas supplies than for that of demand, and highlights that there is a discrepancy of granularity between the two sides of the market. The proposal outlines that provision of this information will show the level of demand side response provided to the market, allowing participants to consider and respond to signals for additional response. In discussing benefits, the proposal suggests that forecasting will be improved and more accurate information should lead to better purchasing decisions.

Information availability has also increased through the initiative launched by DTI/UKOOA, which has seen North and South aggregated physical flows published on an hourly basis since June 2005.

Considerations: Considering responses made to the modification proposals highlighted above, there is clearly a view that there are benefits from increased information transparency and availability. Indeed Ofgem highlighted in their interim decision to Modification 006 that such detail was required to ensure economic and efficient operation of the market.

In responding to the modifications a number of industry participants have questioned whether or not greater transparency is necessary and if it is beneficial at all. What is evident in the responses is that there are potential issues with commercial sensitivity, where information is not aggregated.

Whatever modifications come forward, there are bound to be poles of opinion, given that those who hold the information may be reluctant to release it and those who do not hold the information will be keen to obtain it. The reluctance on the part of the party holding the information may be a result of nothing more than the burden of provision or stem from the view that they cannot see the reason why such information would be useful to those supporting its release.

It is obvious that the best way to assess the optimum balance between transparency, and commercial confidentiality of information is for open and honest discussion and analysis, which considers what information is available, what the information might tell interested parties, what it could be used for, the commercial sensitivities around the information and the cost of provision. Such discussion should also consider the current landscape of available information and whether or not any of the areas analysed would bring incremental benefit at a cost effective rate.

Way Forward: At a recent Transmission Workstream meeting, Poyry Energy Consulting raised a topic, entitled “Information Transparency”, with a view to beginning full and encompassing discussion on information availability. This summary is the beginning of this process and proposes that:

- A topic remains on the Transmission Workstream agenda

- Discussion and analysis of information transparency should commence, involving customers, Shippers, Storage Operators, Ofgem, energywatch and interested industry parties
- Consideration should be given to the optimum position of information release, taking account of cost and benefit
- Discussion should not only centre on what information could be made available, but also the usefulness and the commercial sensitivity of the information (as outlined above)
- Consideration should be given to site (LDMC), zone and aggregate levels of information
- All proposals should include an assessment of whether or not it promotes the relevant objectives of the UNC.

These discussions should be undertaken against the underlying background of continuing uncertainties around delivery of gas to the market, particularly on tight supply/demand days, and the place of information availability in that context.