Representation For. 0006(0727)

"3rd Party Proposal : Publication of Near Real Time Data at UK sub-terminals"
Version 2.0

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Slant:	For
Strictly Confidential:	No

Abstract

3rd Party Proposal : Publication of Near Real Time Data at UK sub-terminals Modification Reference Number 0727

Date: 2 March 2005

Dear Julian

EDF Energy welcomes this opportunity to respond to Transco's draft modification report 727. EDF energy would like to offer its support for the modification proposal.

Firstly, EDF Energy believes that market transparency and the provision of information to all market participants on an equal basis are the basic ingredients for a market to function properly and efficiently. It is apparent that different parts of the UK gas market have had asymmetrical access to certain information which is vital for any shipper to conduct its business, this is particularly so with regards to offshore physical gas flows where producer-affiliated shippers have access to information which downstream shippers do not.

The publication of real time information unilaterally across the market is of paramount importance so that no single party has a competitive advantage over another. It can be argued that producer affiliated shippers, through their contractual association with offshore infrastructure have an advantage compared to downstream shippers by being able to respond quicker to movements in the market.

DTI information release

EDF Energy recognises Transco's commitment with the DTI and offshore parties, to release greater offshore information to the market. We have been actively involved in discussions both with the DTI and Transco and welcome the agreement reached which should see real-time offshore flows published to the market on an aggregated north-south basis by the end of year. However, we do not believe that the publication of offshore data on a north/south basis will suffice as it will not provide the locational information that is so critical for both Transco and shippers to react to. For example, the north aggregation takes in several large entry points across 5 or more facilities, ranging from sub-terminals to storage sites from the west to the East coast of Britain. If there is a large increase or decrease in sub-terminal flows and particularly if there is a transportation constraint, it will be difficult to comprehend or use efficiently any aggregated

information that may emanate at this level that will help Shippers balance the system where needed.

During the summer interruptions in 2003, Transco claimed that their job in resolving the constraint was made worse by the fact that they received little response from shippers. However, it was recognised that the majority of shippers were not sufficiently informed as to where the offshore failures occurred and thus where the constraints were being made in enough time to effectively respond. EDF Energy believes that market participants would have responded quicker to Transco's balancing actions had they known where the transportation failure lay on a real time basis.

On this occasion it was an offshore failure that reduced the gas coming in through a Bacton sub-terminal which caused a lack of gas in the south eastern part of the network due to the Interconnector being in full export mode. The producer affiliated shippers who are party to that offshore pipeline, not to mention the owner of the field which had tripped, would have automatically seen pressures drop, and would have been the only ones who could have reacted first by putting on locational offers onto the OCM (On-the-day Commodity Market). We believe that the market would have reacted better had there been the same information release across the market to all shippers.

Ofgem has on many occasions asserted the benefits of locational signals for investment to resolve transportation constraints and have gone to great lengths to implement arrangements such as long term capacity auctions to make sure these signals are highlighted, indeed many of the times against the general view of the market. We believe that the information release by sub-terminal is a case where those signals are needed on a real time basis to enable Transco and shippers to balance the network more effectively.

Data ownership, confidentiality and liabilities

EDF Energy recognises that the information regarding offshore flows which Transco currently receives from producers and terminal operators is commercially sensitive data and therefore confidential under the Utilities Act 2000 and individual Network Entry Agreements (NEAs). We also recognise that the publication of offshore data on a north/south aggregated basis would address this issue as no one individual party’s position would be disclosed. However, we also recognise that there are many terminals and sub-terminals where there are more than one party involved such as St Fergus and Bacton for example as streams are co-mingled. Also, we agree with the proposer’s caveat to ignore sub-terminals where flows do not exceed 10mcm. We cannot therefore see how at some terminals these confidentiality clauses would apply as they are aggregated flows and do not disclose any single party's commercial position.

However, we believe a way to address the confidentiality issues at single stream sub-terminals is to have the data published in aggregate by terminal. This should over come the problem of disclosing any individual's commercial position except for one instance in the case of Barrow terminal. We would highlight here that a similar arrangement exists in electricity where forecast flows for every BMU (Balancing Mechanism Unit) is publish on a real-time and equal basis across the market creating a level playing field for information release which works well.

We also note that Transco has a significant amount of its own metering equipment at Terminal level which, although not as advanced or accurate as those installed at the sub-terminals, aid Transco in balancing the system on a real-time basis. This data could already be published to the

industry with the use of the DFOs (Daily Flow Operator) metered data to validate the accuracy of Transco metering. This would not be breaching any confidentiality clauses as it would essentially be data from Transco's meters that was being made available. We do not believe that duplicate metering is necessary nor efficient and we would be surprised if this would jeopardise the voluntary agreements that currently exist.

In essence we believe that Transco should be publishing the exact level of information it receives and uses to balance its system to the rest of the market. We believe that Transco should have a best endeavours obligation to publish as much real-time information regarding Terminal flows as possible to ensure that there is a level playing field of information release across the gas market. We believe that this best endeavours obligation should be applied to publishing the data with a 1 hour lag time - i.e. real time flow data should be published every hour for the last hour. Shippers can already deduce how much Gas-fired power stations are offtaking off of the system via Elexon's BM website and we see no reason why all shippers shouldn't have access to real time entry flow data by entry point either. It would be helpful if Transco or Ofgem could address these point made above.

Cost benefit analysis

EDF Energy cannot confirm the figure of £65m net benefits to the industry per year but we do agree with the proposer's calculation methodology and the fact that benefits will largely outweigh any costs due to the increase in competition demand and supply to resolve system imbalances for many years to come.

Ofgem's consultation on offshore information release

EDF Energy notes that Ofgem is currently consulting on the level of regulation needed to manage Transco's information provision and will be responding in due course.

Security of supply

EDF Energy notes that the UK Continental Shelf is now in a period of decline and that a significant amount of import infrastructure is currently being built to offset this decline in supplies. We also understand that with the decline of the UKCS the probability of offshore failures will increase due to wear and tear of the ageing facilities and inconsistency of production from fields in decline as reservoir pressures start to drop. With this in mind the UK gas market can expect more intermittent supply failures in years to come which will have adverse consequences for market prices, participants and consumers. An increase in price volatility has already been witnessed in the last year where prices have increased by over 40% despite no change to UK market fundamentals. It is therefore imperative that market participants have as much information available to be able to respond to market signals efficiently and effectively. We are sure that producers will support this argument, as they will also want some confidence in offshore supplies to balance their portfolios in future.

In summary, EDF energy believes that this proposal does better facilitate the relevant objectives of Transco's licence and should be implemented. We also believe that all market participants share a common interest in making sure the market is functioning properly and ensuring that there is a level playing field for information provision and will support any initiative to release as much non-commercial information possible to the market. There has been an exodus of

market participants in recent years leading to the fall in liquidity and increase in price volatility witnessed in recent years and we believe a level playing field for offshore information will help restore confidence and thus reverse this situation.

We hope that you have found our comments useful but should you have any further queries please contact me on the number below.

Regards

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