

CODE MODIFICATION PROPOSAL No. 0006(0727)

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

Date: 20/01/2005

Proposed Implementation Date:

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

The importance of Transco's role in providing information to the markets has been acknowledged in the 2002 price control and Section 4E of Transco's Transporter licence. The provision of information is universally acknowledged as a prerequisite for an open and economic market to function properly.

Since October 2003, wholesale gas prices have climbed to unprecedented levels from the date of the introduction of the Network Code. In August and September this year, prompt wholesale gas prices started to rise and increase by 70% ("Conclusion and Next Step Document" Ofgem 2004 p1). The forward price was directly impacted by bullish prompt prices that rose by 30% since May and the trend appears to be continuing in mid October. Day ahead prices are consistently in the range of 28 p/th to around 31 p/th. In summary the monthly index prices and prompt prices are significantly higher than those experienced in 2003.

A key observation recorded in the May interim report was that "Ofgem does not, for example, have access on a routine basis to the level of available gas supply from the UK gas producers. This contrasts with the situation in electricity where information from generators is available to Ofgem and the market as a matter of routine." In Ofgem also stated in its "Conclusions and Next Steps" document that "as a general principle, supported greater transparency in energy markets and believes that this promotes competition, liquidity and efficiency" (p60).

Transco have been willing to release some balancing information to energywatch in 2001 and initiated further information disclosure off the back of the summer interruptions. In accordance with this observation and in parallel with the Ofgem probe, although separate from it, DTI, UKOOA, Ofgem and Transco entered into discussions relating to the provision of offshore information, "the offshore information disclosure project". The discussions initiated a three phase approach to improving the transparency of offshore information to the downstream market. The three phases have been completed, although reportedly yet to be fully implemented. The release of information from the offshore community to Transco is on a voluntary basis and subject to confidentiality agreements between the parties. Ofgem have since passed a temporary Licence derogation (April 04) permitting Transco to enter confidentiality agreements specific to the field information collected by Transco for the purposes of its long term planning and forecasts, published in Transporting Britain's Energy and the Ten Year Statement. The derogation was time limited for 6 months.

Phase 1 of the project, completed in November 2003, related to the "improving and standardising information provided to Transco on gas flows, planned and unplanned outages. The arrangements are of a voluntary nature.

Whilst the offshore information project has seemingly completed its work and Ofgem's probe into increase gas prices has still to reach any conclusions on two remaining issues, the ongoing price inflation is having a serious impact on GB consumers, in all market sectors and mitigating actions must be pursued to ensure that market fundamentals alone determine the value of the gas commodity.

To facilitate the development of the UK gas market and secure effective competition between shippers and suppliers, Transco should seek to release information to the market in a timely manner. Providing Users access to information will strengthen market confidence, enhance liquidity and consolidate market prices.

On the basis of this observation, energywatch believes that this modification proposal may go some way to introducing a level of transparency into offshore operations, which up to now has been denied to Users and customers alike.

Nature and Purpose of Proposal (including consequence of non implementation)

It is hoped that the proposal will go some way to towards -

- harmonising information provision across 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
- improving Transco's performance incentives to lower costs regarding balancing
- increase shippers ability to balance and therefore reduce their costs

The modification would, if implemented, better facilitate the relevant objectives of the efficient and economic operation of the pipeline system by permitting the shipping community to understand and consider, within day, changing flows through each of the sub-terminals. In turn, this would allow Users to react to potential offshore problems and re-schedule flows and better assist Transco in achieving a system balance. Transco would benefit from Users reacting quicker to offshore flow changes enabling them to physically balance and offer gas via the OCM (promoting greater liquidity in this essential balancing market).

At a secondary level, the provision of this information would provide Ofgem with the ability to better monitor the market.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

Failure to publish this information would continue to undermine and skew the wholesale trading markets leading to potentially higher gas prices. By not providing entry flow information the market will be denied access to key supply information which is contradictory to the objective of creating a fully competitive UK gas market at numerous levels of the gas chain i.e. gas shipping, trading and supply.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

Code Concerned, sections and paragraphs

Annex VI “Table of Market Data” of the Code.

Proposer's Representative

Sebastian Eyre (Energywatch)

Proposer

Sebastian Eyre (Energywatch)

Signature