

Workstream Report
**"Modification to release aggregated ex-post information for pipeline interconnector
offtake flows"**

Modification Reference Number 0097

Version: 1.0

This Workstream Report is presented for the UNC Modification Panel's consideration. The consensus of attendees at the August Transmission Workstream was that this Proposal should proceed to consultation.

1. Modification Proposal

Version 1.0 of the Proposal was as follows:

"This proposal requires publication of the previous day's aggregated actual offtake flows for each pipeline interconnector on the Gemini Meter Energy List at 11:00am on following day.

It is important that the industry does not solely rely on a single forecast and so publicising aggregated interconnector flows after the day will provide Users with the appropriate level of information to forecast demand more accurately and as a result, reduce price volatility through enabling the market to better understand price movements, building confidence and facilitating security of supply. This is of particular importance on tight demand days as Users need to assess the system as a whole in order to make appropriate purchasing decisions.

Winter 2005/06 saw a material reduction in the level of demand, in response to the prevailing high prices. This proposal will assist Users in ascertaining what proportion of that demand is exported through the interconnectors and consequently aid understanding of the energy outlook during the winter.

NGG have stated in their 2005 Ten Year Statement, with respect to the Irish interconnector, that '...any factors impacting upon existing demands, or the scale and timing of new gas-fired developments, will tend to have an effect on the accuracy of the forecast. Although growth in the Irish economy has slowed recently, it is forecast to increase over the forecast period with the rate of growth being a significant forecast sensitivity.'

Owing to the substantial forecasting sensitivities surrounding demand through the Irish interconnector, there is a clear benefit associated with publishing ex-post data for aggregated interconnector offtakes from the NTS so Users can better understand and assess system demand as a whole."

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

The Proposer presented the following reasons that implementation of this Proposal would better facilitate these relevant objectives:

"All.1 (a) the efficient and economic operation of the pipeline system, through providing shippers with the appropriate level of information to enable them to better forecast demand and thus make the appropriate trading decisions to balance their portfolio, with associated physical actions, resulting in improved balance of the system as a whole.

All.1 (c) the efficient discharge of the licensee's obligations under their licence, with respect to security of supply through assisting shippers in better forecasting demand, enabling them to make more efficient purchasing decisions, consequently reducing price volatility and facilitating security of supply.

All.1 (d) the securing of effective competition (i) between relevant shippers and (ii) between relevant suppliers, [through] providing a level playing field where all shipper / suppliers have the same information available to them, provided through an established, consistent and transparent basis." Shippers at the relevant exit points are believed to have access to information at present which is not available to all Users.

No dissent to these was expressed at the Workstream meeting.

3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

The Proposer suggested that "publicising aggregated interconnector flows after the day will provide Users with the appropriate level of information to forecast demand more accurately." The Proposer concluded that this was "of particular importance on tight demand days as Users need to assess the system as a whole in order to make appropriate purchasing decisions". This should reduce the requirement for Residual System Balancing on such days which would benefit the Security of Supply position.

The Proposer also suggested that implementation would "assist Users in ascertaining what proportion of that demand is exported through the interconnectors and consequently aid understanding of the energy outlook during the winter." This should also have a positive impact on Security of Supply.

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including

a) implications for operation of the System:

The requirement for Residual System Balancing by the System Operator might be reduced if Users were able to balance their portfolios more accurately.

b) development and capital cost and operating cost implications:

It is anticipated that the direct costs associated with the publication of one additional data item per day would be small. Indirectly, any reduction in the requirements for Residual System Balancing on tight demand days might be expected to reduce SO costs.

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

The Proposer did not advocate specific cost recovery. Any changes to SO costs in Residual System Balancing would be reflected in Balancing Neutrality.

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

No consequences on price regulation have been identified.

5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

National Grid NTS would need to ensure that it had procured any necessary rights (if required beyond implementation of the Proposal) for the proposed additional information release.

6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

The Proposer has suggested a minor change to an existing part of Gemini, which is part of the UK Link System.

7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Users would be able to better assess the quantity of gas exported from GB and thus inform their trading decisions to balance their portfolios.

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

Parties involved in the export of gas from GB through interconnectors would need to consider the need to change their arrangements with their customers in order to facilitate compliance with the UNC. Representations on this issue from the parties concerned would be particularly welcome, but Transmission Workstream attendees suggested that Modification 0006 provided a model which could be followed.

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

Some consequences on these contractual relationships are anticipated in order that the information may be provided to National Grid NTS for release to Users.

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

Advantages:

- Improved information available to Users to balance their portfolios, thereby facilitating improved system balancing and security of supply
- Creates level playing field for Users in terms of information availability
- Reduced costs for Users in collecting data

Disadvantages

- Increases Transporter costs

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

No written representations have been received.

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

No such requirement has been identified.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

No such requirement has been identified.

14. Program for works required as a consequence of implementing the Modification Proposal

The Transporters would need to procure UK Link changes.

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

The Proposer suggested implementation at the earliest possible date. With normal timescales under the Modification Rules, implementation following the Modification Panel Meeting on 20 October 2006 would be expected. In addition, the UNC requires notice to be given of proposed UK Link changes. If the change request was presented to the August UK Link Committee meeting, this would be the latest date for including the change in the February 2007 release.

16. Implications of implementing this Modification Proposal upon existing Code Standards of Service

No such implications have been identified.

17. Workstream recommendation regarding implementation of this Modification Proposal

At the Transmission Workstream on 3 August 2006, consensus was reached that this Proposal was sufficiently developed to proceed to consultation.