

CODE MODIFICATION PROPOSAL No. 0121
“The Provision of Ex-Post Demand Information for all NTS Offtakes”
Version 1.2

Date: 13/10/2006

Proposed Implementation Date: 01/01/2007

Urgency: Non-Urgent

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

We recommend that this proposal, which reflects the discussion at the Transmission Workstream, proceeds direct to consultation, following a compressed timescale so that the information is available to the market as soon as economically and efficiently possible in order to allow the market to utilise this data this winter.

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

This proposal requires publication of the previous Day’s total physical flows from the National Transmission System (NTS) by individual NTS Exit Point. In particular we would envisage the publication of the previous Day’s total physical flow from the NTS for each individual storage site, power station, interconnector, NTS connected industrial load and individual NTS exit point into each LDZ. It is proposed that this information be published on National Grid’s Information Exchange website by 12.00pm on the following Gas Flow Day. For clarity, we have attached a list of the indicative Offtakes that we believe will be captured by this proposal and will have their total physical end of day flows published, although we would wish to reiterate our proposal that all NTS Exit Points be included. We do not propose that this modification reveal the quantity of “Own Use Gas” consumed at each compressor on the NTS, although it is proposed that NGG disaggregate the shrinkage volumes that they publish into: “Own Use Gas” and “Unaccounted for Gas”.

Currently a significant amount of information is available to the market detailing the volume of supplies entering the System both within day and after the day, but there is not a similar level of information detailing the demand being taken off the system. In particular the forecast levels of supply for the day are published hourly through the NTSAFF report on a national basis and aggregated on a North/South basis, physical flows onto the NTS are published hourly through the NTSAPF report on a national basis and aggregated on a North/South basis, and aggregate end of day flows onto the NTS are published after the day by 11.00am through the NTS Entry End of Day Flow Report. This supply data has been further supplemented by the implementation of energywatch’s Proposal 0006 which releases real time flows of gas onto the system by terminal and by sub-terminal and entry point capable of flowing greater than 10mcm/day and for all NGG Storage Facilities. In contrast, forecast demand aggregated for the whole system is available through the SISR03 report at the day ahead stage, and then updated hourly from the NB92 report at the within day stage. Aggregate end of day offtake flows for each LDZ and NTS in total are published after the day at 12.00pm through the SISR04 report. There is therefore a discrepancy

between the granularity of supply side and demand side information that is available to the market. It is therefore proposed that the LDZ information available in the SISR04 report be supplemented by the addition of total physical flows for all NTS Exit Points.

It should also be noted that the majority of this information is already published through the Gemini meter list, although the NTS Supply Point information is only available to the Registered User at present. This modification will therefore make this information available to the whole industry and resolve some of the current asymmetrical access to information that is present in the industry.

Winter 2005/06 saw a significant reduction in the level of demand in response to high prices, cumulating in a Gas Balancing Alert (GBA) being issued for the gas day 13th March 2006. This proposal will allow all participants in the market to identify the level of demand side response provided on previous Days by the market, allowing it to form a view on any additional levels of demand side response that may be expected, what additional levels may be required and respond to these signals. Further, as the demand side becomes more active in the market than was the case historically this proposal will release information to all market participants.

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

This Proposal will better facilitate the following relevant objectives:

A11.1 (a) the efficient and economic operation of the pipeline system to which the licence relates. Through providing shippers with the appropriate level of information to enable them to better forecast demand they will be better able to balance their portfolio, resulting in improved balance of the system as a whole reducing the balancing actions required of National Grid Gas (NGG).

A11.1 (c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligation under this licence. This level of information transparency will also present Users with a more accurate picture of supply and demand levels, which should lead to more efficient purchasing decisions and balancing actions by NG. Users and consumers will be able to identify the level of demand side response previously provided by the market and take a view as to whether further response is required and whether to offer this response back to the market at times when it is required most. This information provision will improve price transparency for Users, which will help secure security of supply.

Advantages of the Proposal

- Will better align after the day demand side data with what is available for supply side in gas.
- Aligns data transparency in gas with what is available in electricity.
- Increased transparency on demand side, allowing the market to develop a price for gas derived from supply/demand fundamentals, and reduced price volatility.
- Improved security of supply as the market will be able to form a view on the level of demand side response provided to the market, that is potentially available, and whether any further demand side response is required.

- Reduced balancing actions from NGG as shippers are better able to balance their portfolio, and at appropriate cost as price developed from supply/demand fundamentals.
- Combined with the electricity information that is available through BM Reports, Users will be able to identify when CCGT's switch fuels and stop taking gas rather than just shutting down production. Currently, it is not possible to identify this behaviour, which is crucial in understanding demand-side management.

Disadvantages of the Proposal

- Cost of implementing required IT solutions, although benefit of providing this information to the market will greatly outweigh the implementation costs.

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

As already discussed, EDF Energy believes that implementation of this Modification Proposal will have a positive impact on security of supply and operation of the Total System, as a more transparent view of the supply/demand balance will be available. This will encourage the market to take the appropriate balancing actions at a cost reflective price improving security of supply. Further, less balancing actions should be required of NGG as residual system balancer as a result of this, with any balancing actions taken on a cost reflective basis.

The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. Implications for operation of the System

EDF Energy believes implementation, by improving information flow, will enhance User Balancing and there will be less need for Operational Balancing by NTS. Implementation will, therefore, have a positive impact for operating the system.

ii. Development and capital cost and operating cost implications

EDF Energy are not in a position to identify the costs associated with implementation of this proposal, and look to NGG to identify the costs required for implementing the required systems for the provision of this information. However, we believe that initially this will involve minimal IT costs as the data and platforms on which to present it are already established and can be updated relatively easy. We continue to believe that the benefits of implementing this proposal, particularly in reduction in Operational Balancing costs, will greatly outweigh the costs associated with it.

iii. Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

No proposal is made for the specific recovery of implementation costs. Any reductions in Operational Balancing Costs would be reflected in Balancing Neutrality Charges.

iv. Analysis of the consequences (if any) this proposal would have on price regulation

None identified.

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

None identified – it should in fact minimise Transporters risk by providing Users with better information to take more efficient market actions thereby minimising the Transporters involvement in the market.

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 System and related computer systems of each Transporter and Users

No UK Link System costs have been identified. Users may wish to develop systems to take advantage of the additional information available on the basis of the benefit derived.

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

Users may wish to develop systems to retrieve and analyse this data were it to be published. However, we believe that these costs are internal and would only be incurred by the User if justified by the benefits of doing so. We believe that this Proposal will better allow Users to balance their portfolio, take price reflective balancing actions, and reduce the volatility that Users are exposed to in the market.

This Proposal would also release information to consumers and Suppliers that in the past was only available to Registered Users through the Gemini meter list. In addition this modification proposal would allow consumers, and Suppliers, to identify the volume of demand side response provided to the market, when required, and identify whether further levels of demand side response may be required. This will therefore encourage further participation in the market by Consumers, and allow them to make decisions as to the requirement for further demand side response services based on market fundamentals.

Code Concerned, sections and paragraphs

Section V

Proposer's Representative

John Costa

Proposer

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Signature

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