

**Draft Modification Report**  
**3rd Party Proposal : Publication of Near Real Time Data at UK sub-terminals**  
**Modification Reference Number 0006(0727)**

Version 4.0

This Draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 9.6.

## **1. The Modification Proposal**

It is proposed that Transco publish real time flow data for each sub-terminal for the purposes of informing third parties via the Transco website. This would include; all entry points that are owned and operated by Transco (i.e. storage entry points operated as part of the gas transportation system that are currently subject to price control regulation); entry points which are capable (aggregating all relevant sub terminals deliveries) of accepting gas flows at rates greater than 10 mcmd and all individual sub terminals which are capable of accepting gas flows greater than 10 mcmd.

It is further proposed that flows are updated on a real time basis.

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

Transco is fully supportive of increased gas information provision to the wider market, in an equitable and timely manner where clear benefits (including cost) can be quantified. This support has been demonstrated by the recent Information Exchange Project that Transco initiated during 2002 and, by the significant contribution that Transco has provided to the DTI Information Initiative over the last three years.

Transco understands, and is sympathetic to the objectives of this Modification Proposal, but at this time it cannot provide support to a Proposal that would place it in breach of various statutory and legal obligations for example, the Utilities Act 2000 (Section 105) and Transco's Gas Transporter Licence (Standard Condition 39).

Further, it is Transco's view that there are a number of commercial and technical issues that should be fully understood and addressed by the industry prior to the publication of detailed sub-terminal flow data. Ofgem has recently published a consultation document, "*Offshore gas production information disclosure, Initial consultation and draft impact assessment, February 2005*" in which it acknowledges the concerns and issues associated to the publication of the type of data that has been suggested by this Proposal.

### **Background Information:**

#### **1.1 DTI Information Initiative**

As a consequence of the conclusions reached from its 2001 Consultation Document into the operation of the GB gas markets and high gas prices, the DTI established a joint working group (DTI,

Ofgem, Transco and UKOOA) to examine the provision of offshore information to the wider market. Initially, only the provision of offshore information was considered but during the discussions this was extended to include information pertaining to the offshore/onshore ‘interface’, e.g. sub-terminals, as it was considered by some that this could also provide important signals to the market.

The DTI Information Initiative consisted of three phases:

- **Phase 1** – standardisation and the improved provision of operational data to Transco in relation to planned and unplanned supply reductions from upstream parties.
- **Phase 2** – further provision of detailed information by upstream parties to support Transco in refining its annual Transporting Britain’s Energy (TBE) processes.
- **Phase 3** - Discussions have taken place over a three-year period and the DTI has gained agreement from Ofgem, UKOOA and Transco that four categories of information relating to the onshore/offshore interface should be considered for publication:

Category	Description	Publish
1	Real-time flows into the NTS at sub-terminals	01-07-2005*
2	Forecast flows into the NTS at sub-terminals	18-03-2005*
3	Deliverability with respect to Planned Maintenance	01-10-2004
4	Sub-terminals ‘End of Day’ flow data	01-10-2004

\* *Transco anticipates that publication will commence from these dates.*

The first two phases were completed during Summer 2004 whilst it is anticipated that the third phase, as currently agreed with the DTI and Ofgem, will be fully implemented by 1st July 2005.

Due to various commercial confidentiality, data ownership and liability issues associated with Phase 3, agreement was reached between the DTI, Ofgem, UKOOA and Transco that Categories 1, 2 and 3 would be published on an aggregated (North/South zone) basis. Further, due to physical and operational limitations e.g. capture, timing and accuracy of real-time data, it was agreed that Transco would publish Category 1 information on an hourly, rather than ‘real-time’ frequency.

## 1.2 Issues associated to the publication of 3rd Party Data

The DTI Information Initiative has highlighted two broad areas of concern relating to the publication of Category 1 data. The first area is primarily related to *commercial/statutory* issues, for example, the Utilities Act 2000, data ownership, commercial confidentiality and liabilities whilst the second area relates to *technical* issues, e.g. telemetry equipment and, the accuracy, timing and delivery of data.

Transco considers that this Modification Proposal is effectively an extension of the DTI Category 1 data. This extension would require Transco to publish the flow data at the detailed i.e. sub-terminal level, with no aggregation applied:

### Commercial Issues

#### 1.2.1 Utilities Act 2000/Gas Transporter Licence/Ancillary Agreements

Section 105 of the Utilities Act 2000 places an obligation on Transco to keep information that it receives, in its role as a gas transporter, confidential; where that information relates to a specific individual or business.

Transco is only able to disclose that information in particular circumstances, for example, where it is obliged to do so by virtue of its Gas Transporter Licence. Condition 4E of its Gas Transporter Licence places an obligation on Transco to comply with the information provision requirements of the Network Code. Therefore, where Transco is required to disclose information pursuant to the Network Code, it would not be liable under Section 105. However, this does not extend to any contractual liabilities that Transco may have under any Network Entry Agreements or Confidentiality Agreements.

As part of the DTI Information Initiative, and to satisfy the concerns of upstream parties, Ofgem has granted Transco a temporary derogation from Licence Condition 4E in respect of data provided to it by the Delivery Facility Operators (DFOs). Therefore, Transco is unable to publish sub-terminal flow data without liability under Section 105, as Transco is not obliged to disclose it by its Gas Transporter Licence. Currently, if Transco did publish this information, it would effectively place it in breach of Section 105 and thus expose Transco to criminal liability.

### **1.2.2 Data Ownership, Confidentiality and Liabilities**

#### *Data Ownership*

Transco has access to instantaneous physical flow rate data, often via telemetry, at the majority of the sub-terminals. The Delivery Facility Operators (DFOs) generally own the metering equipment at the sub-terminals and provide the flow data to Transco for use in its operational control activities, on a non-contractual basis. Where Transco does not have access to flow data at a sub-terminal, it utilises data derived from Transco-owned flow equipment that is located downstream of that point.

During the DTI Information Initiative, the position described above was discussed in respect of the ownership and publication of the sub-terminal flow data. All parties to these discussions agreed that:

- where the DFO owns the metering equipment and provides Transco with access to the real-time flow data, this data belongs to the DFO and the ability by Transco to disclose that data to others is restricted by the provisions of Section 105 of the Utilities Act 2000 and the provisions of the relevant Network Entry Agreement;
- where Transco owns the metering or has installed duplicate metering, Transco would be utilising its own equipment to derive the data and would therefore, own the data. However, this data would still be covered by the terms of Section 105 (as it is information relating to a particular business) and Transco would not be able to disclose that information to others except as set out in Section 105;

- where Transco aggregates individual sub-terminal data flows, it then has legal ownership of the aggregated figure. However, the provisions of Section 105 will still apply to that aggregated figure to the extent that information relating to a particular business entity could be identified from it.

Transco took the view that publishing the sub-terminal flow data on an aggregated, North/South basis would afford protection from any action under Section 105. However, during the DTI Initiative discussions, there was a view expressed that Transco does not own the data, even at the aggregated level, but it was recognised that Transco could not be prevented from disclosing such aggregated flow information.

### *Confidentiality and Liabilities*

Both the DTI and Ofgem have acknowledged the issues surrounding the publication of this data and have agreed to the aggregation on a North/South zone basis thereby ensuring that the commercial confidentiality of source data (relating to individual sub-terminals) is maintained. By adopting this approach, the 'primary' data owners e.g. DFOs, will be protected from any risks pertaining to commercial confidentiality and/or liabilities arising from the use of the data.

## **Technical Issues**

### **1.2.3 Physical/Operational Issues**

#### *Metering Arrangements, Telemetry and Data Accuracy*

Transco does not own the majority of measurement equipment that is used to monitor flow data and the accuracy and reliability of the equipment is not guaranteed. The telemetry included within the measurement equipment varies and may momentarily miss electronic 'pulses' that are used to record instantaneous flows and thus register the flow as zero or, not register the flow at all. Dependent on the timing and the sub-terminal at which this particular problem might occur, any flow data that is subsequently published would be inaccurate and potentially provide misleading signals to the market. The metering arrangements and telemetry equipment vary between sub-terminals and are of various types.

- **Instantaneous** metering ('speedometer') provides actual sub-terminal flow data effectively in 'real time'. The instantaneous metering can be categorised as Volume, CV or Energy and a sub-terminal may have none, or any combination of these categories.
- **Integrated** metering ('odometer') records the amount of flow that has already occurred, and is usually triggered by pulses. These pulses are generally parameterised by the amount of flow that is required to take place before the pulse is triggered. It is also important to note that the value of the pulse may vary between the categories (Energy, Volume) and it also varies between the sub-terminals.

The different metering arrangements and types of sub-terminal flow metering within those arrangements will inevitably lead to issues with the frequency and publication of the flow data. A simple analogy in relation to the varying metering arrangements would be to consider the flow data from four sub-terminals as readings from speedometers and odometers, with two meters calibrated in

'miles' and two in 'kilometres'. The publication of four readings, say, Meter 1 (odometer, km), Meter 2 (speedometer, mph), Meter 3 (speedometer, kph) and Meter 4 (odometer, miles) would not necessarily provide an accurate assessment of what was actually occurring at a point in time.

In order for market participants to correctly interpret the sub-terminal flow data, it would be necessary to understand the various parameters associated to those meters, for example, the type of metering (integrated versus instantaneous), pulse rates, quantities, meter accuracy and measurement tolerances. Of further consideration is that several of these parameters might be affected by factors such as the physical operation of the pipeline or mechanical failure.

#### **1.2.4 Frequency of Data Publication**

It is essential that all market participants understand that any definition of 'near real-time' will need to consider numerous physical and operational factors and is dependent on the timing of the existing business processes, the update and refresh rates of the underlying source data and the differing telemetry/metering arrangements that are in place.

During the DTI Initiative, the frequency of data publication was discussed in relation to the physical metering and telemetry arrangements, the capture, timing and accuracy of flow data, and, the requirement for complex validation/data substitution processes to be applied prior to the Category 1 information being published. There was a consensus that the closer to 'real-time' that this information was published, the more prone it would become to inaccuracy, even with complex validation/data substitution processes. As a consequence of this, it was agreed by the DTI, Ofgem and Transco that, in order to provide the market with accurate flow data, Transco should publish the Category 1 information on an hourly basis.

Transco supports the view expressed by the DTI "*... immediate but inaccurate information is less useful to the market than less rapid but accurate information.*". Ref: Gas: A Consultation on concerns about Gas Prices and Possible Improvements to Market Efficiency, published in November 2001. This view has also been supported by some participants at the NT&T Workstream Meetings held during 2001 and early 2002 at which the Information Exchange Project was discussed.

## **2.0 Harmonisation of information across the gas and electricity markets**

As part of its justification for this Modification Proposal, the Proposer suggests that it is seeking to align the provision of information across the gas and electricity markets. This should be carefully considered in the context of the different physical arrangements and commercial regimes that exist between the two markets; and in particular, the difference between gas and electricity in respect to trading within the balancing period.

Whilst this Modification Proposal is seeking the publication of sub-terminal flow information, it is worth noting that this type of information (telemetry /real-time flow) is not published in the electricity market. Rather, the electricity market is provided with forecasts based on the users' own estimates of generation. A more appropriate comparison within the gas market might be the publication of the *forecast* sub-terminal flows that the DFOs provide to Transco for operational purposes. Further, the forecast flow information that is provided by 'generator' users to NGC is required under the auspices of

formalised, contractual frameworks, for example, the Balancing & Settlement Code whereas the sub-terminal Delivery Flow Notifications (DFNs) are provided by DFOs to Transco under voluntary, bilateral agreements which invariably contain confidentiality clauses.

Transco will be publishing the DFNs as part of the DTI Category 2 deliverable from 18th March 2005, albeit on an aggregated, national (North/South) basis.

### **3.0 Development of the Proposal To-date**

This Modification Proposal has been discussed in a number of meetings including the Network Code Modification Panel held in November 2004 and at the NT&T Workstream meetings held in December 2004 and January 2005.

#### *energywatch Cost/Benefit Analysis*

energywatch, as the initiator of the Modification Proposal, presented a paper at the NT&T Workstream meeting held on January 6th 2005 that provided its view of the potential costs and, the benefits that the market participants would gain from the implementation of the Proposal. energywatch suggested that these benefits would include; harmonising the provision of information 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 and, increasing the shippers' ability to balance and therefore reduce their costs.

There was a view expressed by some participants at the meeting that whilst the paper had provided the theoretical economic argument, it had failed to recognise the progress of the DTI Information Initiative to-date insofar as it had not identified any additional benefits that the implementation of this Modification Proposal might achieve over and above that agreed for the DTI Initiative Category 1 deliverable.

**Note:** At the request of the members of the Network Code Modification Panel held in January 2005, Transco has agreed to distribute the energywatch paper that was presented at the NT&T Workstream, with this Draft Modification Report (please see Appendix A).

#### *Installation of Duplicate Metering*

The installation of duplicate metering is not a stated requirement for this Modification Proposal. However, it has been included within this Modification Report to provide additional background information to help facilitate an understanding of the breadth of the discussions that have taken place to-date, in relation to the publication of sub-terminal flow data.

During the NT&T Workstream meetings, there has also been broad discussion in relation to the potential commercial and technical issues associated with this data and suggestions as to how these issues could be addressed. Several participants have suggested that to circumvent the 3rd party data ownership and liability issues, Transco should consider installing its own, duplicate flow metering equipment at each of the sub-terminals.

This suggestion has previously been explored by the DTI Initiative working group (DTI, Ofgem, UKOOA and Transco) during 2003-2004.

The opinion from the respective Transco and UKOOA legal departments was that although Transco could install its own duplicate metering equipment, it would effectively be registering the flows of the sub-terminals. Therefore, whilst it might own the duplicate metering equipment, and therefore, own the data, under Section 105 of the Utilities Act 2000, Transco would still not have the right to publish the sub-terminal flow data without the approval of the DFOs.

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

The Proposer considers that;

*"The proposal 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".*

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

**a) implications for operation of the System:**

Transco is currently provided (through voluntary arrangements with the DFOs) with upstream operational flow and maintenance information. The provision of this information is central to Transco's network balancing activities and it is made available by the DFOs to Transco only for the purposes of operating the GB gas system in an efficient and economic manner.

There is a concern that if Ofgem should direct the implementation of this Modification Proposal, upstream parties might decide to withhold information from Transco in order to protect their commercial interests and this would have a detrimental impact on Transco's ability to balance the gas network in an efficient and economic manner. Further, it might undermine the progress that has been achieved by the DTI Information Initiative over the last three years and, adversely impact the voluntary information provision agreements that are now in place between Transco, the DFOs and other, relevant upstream parties.

**b) development and capital cost and operating cost implications:**

*IS Development*

Transco has, as part of Phase 3 of the DTI Information Initiative, estimated the development costs for the Category 1 and Category 2 deliverables as approximately £135,000. The development and planned implementation for Category 1 has a direct dependency on the internal O&T iGMS (Integrated Gas Management System) Project that is currently planned for implementation in June 2005.

From an IS technical perspective, a high level view of the systems development costs of implementing this Modification Proposal i.e. extending the DTI Category 1 deliverable has been estimated at approximately £650,000. These costs arise because the requirement to publish the flow data at the sub-terminal level and the increased frequency is significantly more complex than that proposed and agreed for the DTI Category 1 information and, as such, the development effort, cost and timescales will be extended.

#### *Duplicate Metering*

Should there be a requirement for Transco to install duplicate metering at the UK sub-terminals and, where necessary, other NTS system entry points, it has been estimated that this would incur further one-off costs of approximately £20 million together with additional ongoing maintenance costs.

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

In the event that this Modification Proposal is approved;

Transco would wish to undertake a full and detailed impact analysis in order to confirm the IS systems development effort, costs and timescales with a view, if appropriate, to either additional funding and/or recovery of costs.

Should there also be a requirement to install duplicate metering at the NTS System Entry points, Transco would wish to undertake a detailed assessment, for example, to confirm the costs and timescales associated to requirements for sites surveys, planning applications, purchasing of additional land (where necessary), obtaining and installing the equipment. In this scenario, Transco would seek the ability to recover an appropriate level of funding for the implementation of this Proposal. This funding could be achieved either through an Income Adjusting Event plus additional OPEX funding to operate and maintain these additional facilities, or, as part of a relevant Price Control settlement.

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

Transco is not aware of any consequences that this Modification Proposal would have on price regulation.

#### **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**

Transco is not aware of any contractual risk in this respect.

#### **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**

Transco does not anticipate that there would be any implications for Users' computer systems.



It is envisaged that Transco would have to undertake:

- a. Redevelopment of **Information Exchange**:- website, datawarehouse, supporting system applications, purchase of additional hardware e.g. new web-servers and, upgrading current support and maintenance contracts;
- b. Modifications to **iGMS** (Integrated Gas Management System);
- c. Modifications to existing, and requirement for new, system interfaces.

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

Transco would welcome representations from Users in this respect.

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

Transco would welcome representations in this respect.

**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**

The disclosure of this category of information by Transco, without the consent of the third party would place it in breach of its Utilities Act (Section 105) duties and its Gas Transporters Licence obligations. It would also leave Transco exposed to liabilities from breaches of various bilateral confidentiality agreements, typically contained within Network Entry Agreements and Storage Connection Agreements.

Therefore, in order to adhere to any obligations imposed by the implementation of this Modification Proposal, Transco would have to seek and gain the appropriate consents from the data owners prior to the publication of the sub-terminal flow data to a wider audience. However, experience to-date suggests that Transco would not receive the appropriate consent from the upstream parties.

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

**Advantages:**

As stated by the Proposer, it will:-

- harmonise information provision across gas and electricity markets;
- empower gas consumers to make rational purchasing decisions;
- level the competitive playing field between producer affiliates and non-integrated market participants;
- increase the shippers' ability to balance and therefore reduce their costs.

## **Disadvantages:**

As set out by Transco:

- without the consent of the DFOs, the publication of this data by Transco would place it in breach (criminal) of the Utilities Act 2000 (Section 105) and other confidentiality agreements, typically contained within Network Entry Agreements and Storage Connection Agreements;
- might adversely impact any current or future voluntary information provision agreements between Transco, the DFOs and other upstream parties;
- should the upstream parties decide to withhold information, it could have a detrimental impact on Transco's ability to balance the gas network in an economic and efficient manner and;
- the cost-benefits are not clearly defined in respect to those that will be achieved by the publication of the DTI Category 1 (and 2) data.

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

Transco is now seeking representations.

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

No such requirement exists in respect of this Modification Proposal.

### **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**

Implementation of this Modification Proposal is not required to satisfy these requirements.

### **14. Programme for works required as a consequence of implementing the Modification Proposal**

#### **IT Systems Development**

Transco has completed an initial IT assessment of the programme of works that would be required to develop and implement this Modification Proposal. The assessment has been based on previous development effort, costs and implementation timescales associated with the Transco Information Exchange Project.

It will be necessary for Transco to undertake system development activities and enhancements to several internal IT systems, a potentially large scale upgrade to the Information Exchange hardware and software, and, modifications to the IT systems interfaces. It is important to note that the Information Exchange website and the interfaces between it and the source data systems have not been designed to either process or publish data on a near "real-time" basis.

#### **Installation of Duplicate Metering**

Transco would wish, if there was a requirement to install duplicate metering at all the relevant NTS system entry points, to undertake a full assessment of the programme of works for this. However, it is likely that such works would require a lead time of approximately three years prior to full implementation.

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

- Draft Modification Report issued - 9th February 2005
- Consultation period ends - 2nd March 2005
- Final Modification Report issued - 23rd March 2005

With respect to the timescales for the implementation of the changes to the information systems, the initial IS impact assessment has indicated that Transco could commence the publication of the sub-terminal flow data from Q2/Q3 2006. However, this does not take into consideration the resolution of the commercial and technical issues, nor delays as a consequence of any requirement for the installation of duplicate metering equipment.

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

**17. Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel**

Transco does not recommend the implementation of this Modification Proposal.

**19. Text**

***Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report***

Subject Matter Expert sign off:

*I confirm that I have prepared this modification report in accordance with the Modification Rules.*

Signature:

Date :

Signed for and on behalf of Relevant Gas Transporters:

**Richard Court**  
**Commercial Frameworks Manager**

Signature:

Date: