

## Representation

### Draft Modification Report

#### 0471S - Amending the start time that a Day-ahead Market Offer can be accepted

**Consultation close out date:** 27th January 2014

**Respond to:** enquiries@gasgovernance.co.uk

**Organisation:** Futures and Options Association (FOA)

**Representative:** Stephen Harris (Chair of the FOA Power Trading Committee)

**Date of Representation:** 27<sup>th</sup> January 2014

#### Do you support or oppose implementation?

Support

#### Please summarise (in one paragraph) the key reason(s) for your support/opposition.

The FOA fully supports this modification. The key driver for the modification is to allow the OCM Day Ahead market to be open before the Day Ahead Power Auction. At weekends, when there is no Day Ahead brokered market, this will make it far more likely that Gas Fired Generation Assets will participate in the Auction, improving liquidity and robustness of the outturn prices. Gas Assets wish to trade the spark spread but with the lack of a reference gas price this is not possible. The increased activity in the Day Ahead Power Auction should feed through to increased activity in the Day Ahead Gas Market. Increased liquidity will give Gas Market participants increased opportunity to trade and to manage their positions and exposure. Enabling participants increase opportunity to trade and schedule CCGTs at an earlier stage Day-ahead will also improve system balancing in both the power and gas markets. We firmly believe that this modification will be of benefit to both the UK Power and UK Gas Markets.

#### Are there any new or additional issues that you believe should be recorded in the Modification Report?

No

#### Self-Governance Statement:

*Do you agree with the Modification Panel's decision that this should be a self-governance modification?*

We agree with the Modification Panel's decision that this should be a self-governance modification.

### Relevant Objectives:

*How would implementation of this modification impact the relevant objectives?*

We believe that this modification would have a positive impact on Relevant Objective (d). It would increase effective competition amongst Shipper Users and Trader Users by making it possible for generators to schedule and trade gas plant earlier Day-ahead, in line with other thermal generation, enabling the efficient use of gas generation.

In addition, we believe that it may have a positive impact on Relevant Objective (b) as earlier and more accurate scheduling of CCGTs on a weekend will improve the accuracy of the Offtake Physical Notifications (OPNs) that Shippers send to National Grid Day-ahead. Discussions between National Grid and Shippers in the Gas Operational Forum have suggested that a contributory factor to erroneous demand attributions and significant line-pack changes is inaccurate OPNs for Daily Metered sites such as CCGTs. "Occasional demand attribution failures... generally linked to data entry issues by DNs/Shippers"<sup>1</sup>.

Furthermore, we believe that this modification will improve liquidity in both the prompt gas (and power) markets in line with Ofgem, EC and ACER objectives.

### Impacts and Costs:

*What analysis, development and ongoing costs would you face if this modification were implemented?*

n/a

### Implementation:

*What lead-time would you wish to see prior to this modification being implemented, and why?*

The FOA do not believe that any participants would require any material lead time ahead of implementation. We recognise that there will be a system change required in order to facilitate this modification, but would suggest that if the modification is accepted it should be implemented at the earliest time possible.

### Legal Text:

*Are you satisfied that the legal text will deliver the intent of the modification?*

Yes

### Is there anything further you wish to be taken into account?

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*

No

## About the FOA

The Futures and Options Association (FOA) seeks to sustain industry growth and enhance the integrity of markets and firms through the cycle of regulatory change. It works with members to maintain a constructive dialogue with government and regulatory authorities and deliver high standards of industry practice.

The FOA is principally concerned with financial and commodity exchange-traded derivatives markets. However, it also addresses related issues arising in other markets such as OTC markets or issues that have a cross-sectorial impact.

## FOA Power Trading Forum

The remit of the Power Trading Forum and its managing Committee is to:

- represent the interests of the Members of the Forum
- provide a forum for discussing issues relating to the wholesale electricity & gas markets
- liaise with government, regulatory authorities, trade bodies and other organisations on issues relating to the wholesale electricity & gas markets in the UK