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Dear Julian

**EDF Energy Response to UNC Modification 0104 “3<sup>rd</sup> Party Proposal: Storage Information at LNG Importation Facilities”.**

EDF Energy welcomes the opportunity to respond to this proposal. EDF Energy is generally in favour of information release to enable markets to operate efficiently, so long as it is not confidential information that may commercially disadvantage parties. We therefore offer our full support to its implementation.

We have continuously supported the operation and maintenance of the free market, and the information transparency that is required to support the effective operation of these markets. We believe that this proposal will release information to the market that will allow participants to build a picture of the volume of demand side response required to balance the market, and so improve security of supply. We note that at the time this facility was taken out of Transco’s regulatory assets into an independent subsidiary, there were guarantees given that the existing LNG storage tanks were not going to be used for storage, only operational purposes. We further note that the volume of gas in storage at LNG importation facilities is published in the Spanish market, and would therefore question that if this information is required for the operation of this market, why it is not required for the operation of the UK market?

**Facilitation of the Relevant Objectives, Specified in Special Condition A11.1 & 2 of the Gas Transporters Licence.**

Implementation of this proposal will allow Users and consumers to develop a clearer view of the supply position into the UK market and so the likely supply/demand balance. This will enable these parties to identify the volume of demand side response required to balance the market, and so take the commercial decision as to whether to offer this service or not. This will help to ensure that the market is balanced, and so reduce the residual balancing actions required of the National Transporter, thereby facilitating Conditional A11.1 (a) – the efficient and economic operation of the pipeline system. It is further clear that the ability to identify the supply position and take commercial decisions as to whether or not to offer demand side response is beneficial to security of supply, thereby facilitating Condition A11.1 (c).

Further by making this information available to the market, downstream parties will be able to identify whether there is spare capacity in the importation facilities, and whether there is a requirement for increased LNG supplies into the UK. By being able to access this capacity through the effective UIOLI arrangements that these facilities have put into place as a result of

their Regulated Third Party Access (RTPA) exemptions, this could be seen as being beneficial to the UK's security of supply position. Further by providing a route to market for new participants this will encourage competition within the market.

Basic economic theory states that one of the fundamental requirements of a competitive market is information transparency, and symmetrical access to this information. It is further worth noting that access to information is deemed so important that there is criminal legislation preventing individuals acting on information before it becomes available to the market if it will have an impact on price. Whilst recognising that the perfectly competitive model is only theoretical we continue to support the release of information that will move the UK towards that model, and remove some of the asymmetrical issues. We therefore believe that this proposal will be beneficial to facilitating competition between Shippers, Suppliers, and Consumers who are becoming increasingly active in the market, thereby facilitating Condition A11.1 (d).

#### **Advantages of the Proposal.**


- Increased transparency, removing some of the asymmetrical access to information issues that are present in the market.
- Improved security of supply as consumers and Users are better able to identify the supply/demand balance and whether to offer demand side response services to the market or not.
- Economic and efficient operation of the pipeline system as requirements of the residual balancer are reduced as the market is better able to balance based on the supply/demand fundamentals.
- Increased competitions as Shippers, Suppliers and Consumers have equal access to information, enabling them to compete in offering demand side response services, and for gas.
- Given that Spain provides similar information to its market already, this will move the UK towards a more European model.
- Downstream parties with access to LNG will be able to identify whether there is spare capacity at any terminals and decide whether there is a UK requirement for additional volumes of LNG. This will aid security of supply, encourage the importation of LNG into the UK market, ensure utilisation of import capacity, and ensure full utilisation of the UIOLI requirements that all LNG importation facilities will have to have in place as a condition of their Regulated Third Party Access (RTPA) exemptions.

#### **Disadvantages of the Proposal.**

- Due to the contractual arrangements regarding the provision of this information to the market certain importation facilities might be more exposed than others that do not supply this information to National Grid. This could be overcome were the information to be provided on a voluntary basis, or as a condition of RTPA exemption.

I hope you find these comments useful, however please contact us should you have any questions on the issues raised.

Yours sincerely

A handwritten signature in black ink that reads 'Stefan Leedham'.

Stefan Leedham  
Gas Market Analyst  
Energy Market Strategy, Energy Branch.