

CODE MODIFICATION PROPOSAL No. 0104
"3rd Party Proposal: Storage Information at LNG Importation Facilities"
Version 4.0

Date: 10/10/06

Proposed Implementation Date: 01/12/2006

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency
(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

We had recommended that this Proposal was given Urgent status but Ofgem rejected this request on 9 August 2006. After discussion about the timetable at the UNC Modifications Panel meeting on 17 August 2006, the modification was discussed at the Transmission Workstream meetings on 7 September and 5 October 2006, prior to returning to the UNC Modifications Panel on 19 October 2006. We would seek implementation as soon as possible after completion of the consultation process and preferably in December 2006.

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

This proposal seeks publication, on National Grid's website by 16:00 D+1, of the aggregate physical LNG in storage levels (in kWh) of LNG Importation Facilities as being the stock held at 05:59 on the previous day. This information could be published through a workaround until an enduring system solution is developed. In general, National Grid is not obliged to publish or make available operational or market data where this is not made available to it.

It is very important that this data is published to the wider market, as improvements in transparency will assist in a number of ways, specifically, by allowing market participants to make more appropriate purchasing decisions based on fuller market information; by facilitating improvements in security of supply; and as a result of these outcomes, reducing the ultimate cost of gas to all consumers.

Information is vital for the effective functioning of an open and competitive market given the potential for continuing tight supply/demand conditions this coming winter. Consumers will also want to be as aware as possible of market conditions to determine if they can or wish to sell back gas or interrupt as part of demand side response, thereby enhancing security of supply.

The asymmetric nature of the data made available from LNG Importation Facilities means that market transparency is clouded. Importation Operators, through their contractual arrangements with shippers, should therefore, seek to meet the minimum requirements of the Guidelines for Good Practice for System Storage Operators for information provision (which includes published numerical data on gas in store).

Furthermore, in approving energywatch's modification proposal UNC006, the Authority stated that "In order for the market to operate efficiently, it is important that the arrangements in place are as transparent as possible. At the moment, some parties (notably producers) have access to information, which other parties (notably downstream suppliers, traders and customers) do not have. By allowing all parties access to near to real time sub-terminal information this should permit the market to operate more efficiently." (page 8). The provision of storage information at LNG Importation Facilities is no different in this respect and should improve transparency in the market, as supported by the Authority in the Proposal 006 decision.

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

Implementation of this proposal would better facilitate the following relevant objectives:

A11.1 (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.

A11.1 (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.

A11.1 (d) the securing of effective competition (i) between relevant shippers and (ii) between relevant suppliers, though providing a level playing field where all shipper / suppliers have the same information available to them, provided through an established, consistent and transparent basis.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

The proposal should be implemented as soon as feasibly possible, and preferably in accordance with the above proposed timetable. This would assist in maximising its impact prior to winter 2006/07.

Code Concerned, sections and paragraphs

Transportation Principal Document Section V Annex V1 "Table of Market Data"

Proposer's Representative

Jeremy Nicholson (Energy Intensive Users Group)

Proposer

Carole Pitkeathley (Energywatch)

Signature

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