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Dear Tim,

RE: Modification Proposal 0121 - The Provision of Ex-Post Demand Information for all NTS Offtakes

E.ON UK does not support this Modification Proposal.

UNC Modification Proposal 0121 requires publication of the previous Day's total physical flows from the National Transmission System (NTS) by individual NTS Exit Point. In particular, the publication of the previous Day's total physical flows from the NTS for each individual storage site, power station, interconnector, NTS connected industrial load and individual NTS exit point into each LDZ.

E.ON UK, in Modification Proposal 0130 now proposes publication of the previous Day's total physical flows from the NTS divided into four categories of:

- (i) Aggregated ex-post LDZ offtake flows;**
- (ii) Aggregated ex-post power generation offtake flows;**
- (iii) Aggregated ex-post storage site offtake flows;**
- (iv) Aggregated ex-post industrial load offtake flows.**

We will now explain why we believe that Mod 0121 does not better facilitate achievement of the relevant objectives of the UNC and why 0130 is a more equitable solution for greater market transparency on the demand side.

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Undue Discrimination between Offtakes

We believe it is imperative to protect our customer's best interests by not exposing them to undue discrimination. Under Mod 0121, NTS-connected I&C customers will have their daily gas demand published very publicly, whereas their competitors who are either DN-connected customers or based abroad will clearly not have their gas demand published. Many large I&C loads, including most NTS-connected industrial loads, compete in commodity-based markets (e.g. the chemicals industry) and gas is key to production. Therefore, daily gas demand data will clearly highlight when a customer is, or isn't, producing. This would then become a new source of market intelligence freely available to competitors which exposes the daily operations of NTS-connected customers, which isn't otherwise publicly available on DN-connected customers. Ultimately, this additional detailed information could distort markets by influencing market pricing and behaviour, undermining justified commercial confidentiality. It is clearly not the role of the Uniform Network Code to unduly influence the operation of other markets and it could be argued that Mod 0121 has the potential to extend inappropriately the remit of the UNC with potential precedent setting implications for competition in the UK.

Mod 0130 is our response to our own customer's concerns regarding undue discrimination between offtakes which would be created if Mod 0121 were implemented. We are seeking a more equitable transparency solution for the whole market, and by aggregating the physical offtake flow data into four distinct categories, this Modification Proposal does not adversely impact I&C consumers by publishing detailed information on gas consumption by individual NTS Exit Point; thereby treating offtakes differently. Moreover, this potential situation that could be created by implementation of Mod 0121 could be considered contrary to Ofgem's previously stated views on the equal treatment of offtakes.

Customer Concerns

Following the Ofgem *Demand Side Working Group* meeting in November 2006, we noted that the Major Energy User's Council expressed concern over potential discrimination issues and that members of the Chemical Industries Association (CIA) had been "very vocal" about the issue of aggregation with some expressing support for it, and also some members not seeing the value of publishing *individual* NTS exit point information. Based on the points raised above and the concerns of our own NTS-connected customers, there is clearly not overwhelming evidence of customer support for Mod 0121, and since the demand side is intended to be the main beneficiary of the Proposal, it is questionable whether the data *really* is needed by individual NTS Exit Point. We would argue therefore, that aggregation of the data offers sufficient information without compromising commercial confidentiality of customers and is therefore a more reasonable solution for all.

Inefficient Timing of Daily Data Publication

There are clear inefficiencies created by publishing almost identical interconnector offtake flow data twice in one day, which implementation of Mod 0121 would result in. Now that Mod 97a has been approved by Ofgem, National Grid will publish this information by 11:00am and then under 0121, would be required to publish the same offtake information *again*, by midday. Mod 0130 addresses this issue directly by not requiring interconnector flows to be published to avoid duplication, and requiring publication of all data by 11:00am in order to give a consistent “snapshot” of the market, which would not otherwise be available.

On the basis of duplication and misalignments it would cause, it could *not* be said that Mod 0121 furthers the relevant objectives in regard of efficient discharge of the Transporter’s duties under the Licence (SSC A11.1 (c)).

Aggregation - Modification Proposal 0130

Mod 0130 will provide Users with an understanding of the pattern of demand-side response on the system and what each ‘category’ of Exit Points is doing overall. E.ON UK believes that the level of information proposed to be released under our Proposal is sufficient to ensure the more efficient operation of the market by creating greater information transparency. This should enable the market to form a view on any additional levels of demand-side response that may be expected, what additional levels may be required and the necessary response to these signals. It would accordingly help to level the playing field between what is available on the supply and demand sides, without undue discrimination.

Mod 0130 would release, in aggregate, the same information as provided by Mod 0121. It will, however, be easier and much quicker to understand, particularly for customers who may not wish to interpret and understand the flows of hundreds of individual Exit Points. It is suggested by the Proposer of Mod 0121 that making available individual Exit Point flow data will aid demand-side response. It could be argued that this will actually slow down demand side response, due to the amount of time it will physically take many customers to gain an overall picture of what the market is doing. Aggregation of the data makes the information available more quickly and is much more accessible. Aggregation would also exclude any “outliers” (i.e. Exit Points which are acting contrary to market consensus) which could mislead customers into making inefficient or costly decisions in respect of demand side response, where it is not actually required. This would be contrary to SSC A11.1 (a) and (b) - the coordinated, efficient and economic operation of the combined pipeline system.

Implementation date

Although we do not support Mod 0121, in view of Ofgem's recent decision to require National Grid to publish interconnector data under Mod 97a, it would seem appropriate for Ofgem to consider an implementation date of 01/10/2007 here also. Mod 130 adopts this implementation date, accordingly.

Conclusion

Whilst we support greater information transparency where there is a genuine need for it and where the release of the data would clearly improve the efficient operation of the market, on this occasion, we consider that Mod 0121 will not satisfy either condition. We believe that publication of every NTS Exit Point will flood the market with data that has the potential to confuse or mislead customers and could, in all likelihood, be used by DN-connected customers to gain extra insight into the commercial activities of their NTS-connected competitors. We consider that this constitutes undue discrimination between offtakes. As a result of our concerns highlighted above, and the very real concerns of both our own and other major I&C customers, E.ON UK has raised Modification Proposal 0130. We believe that this Proposal has many of the positive benefits associated with Mod 0121 in terms of market transparency but protects the interests of customers from undue discrimination and erosion of justified commercial confidentiality.

In light of the similarities between the two Proposals raised, we would urge Ofgem to consider Modification Proposals 0121 and 0130 together before making its decision.

If you have any questions or queries regarding this response, please do not hesitate to contact me on 02476 181421.

Yours sincerely

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