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Modification Proposal 121: "The provision of ex-post demand information for all NTS offtakes"

Dear Julian,

RWE npower supports implementation of the above modification proposal.

The extent to which efficiency in traded gas markets is promoted through greater transparency of gas flow information was widely debated during the consultation on Modification Proposal 006 "Publication of Near Real Time Data at UK sub-terminals".

RWE npower initially gave its qualified support for this modification proposal, recognising that greater transparency of information at sub-terminal level, rather than at zonal north/south level, was likely to promote efficiency and remove the perceived information asymmetry of downstream shippers, customers and traders. However, once zonal information was made available (which took place after the original responses to the modification proposal had been received) and as the nature and potential inaccuracy of the information to be provided became clearer, along with the cost of implementation, our views changed. By the time Ofgem came to make their decision on the modification proposal therefore we did not support its implementation.

In May 2006 after extensive consultation and following an Impact Assessment Ofgem decided that Modification Proposal 006 better facilitated the relevant objectives of the Uniform Network Code. In doing so they stated, amongst other things, that the proposal would allow market participants to develop a better understanding of the operation of the market. This in turn would allow parties to better balance their positions and hence lead to a reduction in system balancing costs, producing benefits for the market and ultimately consumers.

Whilst not agreeing with this view, now the principle of providing information at a disaggregated level has been established we believe it should be applied equally to all transparency related modification proposals. For this reason we did not support implementation of Modification Proposal 108, which sought to aggregate near real time withdrawal flow information for all storage sites into a single entry point.

We recognise, as did Ofgem in their decision letter on Modification Proposals 006,

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that providing information at a disaggregated level could lead to a small number of parties facing potential commercial exposure. This may be true of this Modification Proposal, but we have not heard strong views expressed against publication of this information by end consumers or by other market participants with NTS connected offtakes.

Whilst it could be argued that providing after the day information for all NTS offtakes could lead to discrimination, as similar sites connected to the DN would not have their consumption published, we doubt whether there would be many instances where this occurs. Not approving this Modification Proposal could also be seen as discriminating against interconnector operators and users who, following the approval of Modification Proposal 97A, will have their daily offtake flows published after the day with effect from 1st October 2007.

As was the case with Modification Proposal 006, we are sceptical about the extent to which disaggregated gas offtake information will be used by market participants to inform their daily trading/purchase/balancing decisions. We believe that aggregated information is more than sufficient in this respect.

However, as disaggregated gas entry information is now available any fundamental analysis parties may choose to undertake of how gas flows on the NTS, and how connected networks interface with it, could not be undertaken properly without disaggregated offtake information also being provided.

Disaggregated offtake information could help to better inform parties about how demand side responsive certain NTS offtakes are. It could also help to inform parties as to how much flexibility DNs have in offtaking gas from the NTS at various different NTS/LDZ offtakes, so as to meet the demand on their network. Such information is largely opaque to most shippers but may be of increased relevance depending on the decision Ofgem makes regarding Modification Proposal 116V, and its alternatives.

Yours sincerely,

Steve Rose
Economic Regulation

Sent by e-mail and therefore not signed