

Modification proposal:	Uniform Network Code (UNC) 182: Information Provision at LNG Importation Facilities (UNC182)		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	1 April 2008	Implementation Date:	To be confirmed by the Joint Office

Background to the modification proposal

Following the implementation of UNC Modification Proposal 0104 – Storage Information at LNG Importation Facilities (UNC104) - on 1 October 2007, there is a requirement for National Grid NTS to publish data showing the aggregate physical LNG stocks across all LNG importation facilities held at 05:59 (the end of the gas day). This information is published on National Grid NTS's website by 16:00 on the following gas day.

However, National Grid NTS raised concerns regarding what information should be published in the event that National Grid NTS does not receive information from all of the operational LNG importation facilities, and is therefore not in a position to calculate the aggregate stock levels. Although at the moment there is only one importation facility in operation in GB, the opening of two more at Milford Haven and the second phase of the Isle of Grain later in 2008 will lead to the possibility of data being received from some, but not all, of the LNG importation facilities.

The modification proposal

During the consultation process for UNC104, Ofgem published an Impact Assessment (1 March 2007). In this document Ofgem stated that (para. 3.34) *"...in the unlikely event that the operators of the new LNG importation facilities are not willing to provide the data to NGG, it will not be in a position to calculate aggregate stock levels. In these circumstances, we would expect it to indicate that the levels are unknown rather than publish partial, and potentially misleading, data from those facilities that have made stock information available."*

This view was reiterated in the final decision letter, published on 22 August 2007.

National Grid NTS supported the Ofgem view on this issue and therefore raised UNC Modification Proposal 182: Information Provision at LNG Importation Facilities on 10 December 2007. This modification proposes that in the event that National Grid NTS does not receive all applicable LNG stock information from all operational LNG importation facilities, then National Grid NTS would indicate that the aggregate LNG stock levels are unknown. At the relevant publication time (16:00 on D+1), National Grid NTS will publish "unknown".

The proposer considered that UNC182 would better facilitate the achievement of relevant objective (f) as set out on Standard Special Condition A11 (1) of the Gas Transporters Licence.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

²This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

In respect of relevant objective (f) the proposer considered that the modification would better facilitate the promotion of efficiency in the implementation and administration of the UNC as it seeks to clarify actions to be taken in the event that partial information is received from the LNG importation facilities.

UNC Panel³ recommendation

At its meeting held on 21 February 2008, the UNC Modification Panel recommended that UNC182 be implemented, with all of the 10 Voting Members present being in favour.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 21 February 2008. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR⁴. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC⁵; and
2. directing that the modification to be made is consistent with the Authority's principal objective and statutory duties⁶.

Reasons for the Authority's decision

The Authority considers that UNC182 impacts on the facilitation of relevant objective (f) of the UNC most significantly. We have set out below why we believe UNC182 would better facilitate the achievement of this objective.

Relevant objective (f) – so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code

We agree with the respondents who suggested that the modification proposal would better facilitate the achievement of this objective by providing clarity to the industry as to the actions that National Grid NTS will take in the event of it having incomplete LNG stock information at the relevant time of publication. This will ensure that potentially misleading information is not published to the market, and so ensure efficiency in the implementation and administration of the code. We think that it would be preferable, in this instance, to have an 'unknown' quantity published than a misleading figure, which may adversely affect shippers' purchasing decisions.

Further Issues

One respondent suggested that the current position would be at odds with the intent of the European Third Package of energy legislation, which proposes that information about stock levels at LNG importation facilities must be published on an individual basis.

³ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

⁴ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

⁵ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547

⁶ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

Several respondents also indicated they would prefer to see the data published on a terminal by terminal basis, especially given that, in the event of not all information being made available to National Grid NTS, this would allow market participants to access the full amount of information that was available.

Ofgem considers that neither UNC Modification Proposals UNC104 nor UNC182 undermine the approach set out in the third package proposals which are currently under discussion. The Authority is only able to assess the UNC Modifications that are raised, and if any party wished to raise a Modification that called for the release of disaggregated information on stock levels at LNG terminals, then it would be free to do so.

Additionally, a number of respondents expressed concern that the publication of 'unknown' in the event of incomplete data being received by National Grid NTS might become a frequent occurrence, negating the aim of UNC104, and reducing the value of the data available. However, it should be noted that UNC182 simply seeks to clarify what should happen in the event that the relevant data is not available, and should therefore not make this event any more likely to occur. We continue to hold the view set out in the March 2007 Impact Assessment and the August 2007 final decision letter on UNC104, that we would expect National Grid NTS to make every effort to obtain this information, and where appropriate to consider the terms of its connection agreements to facilitate its access to this information. Should National Grid NTS frequently be unable to publish the relevant information, we will discuss with National Grid NTS and LNG importation facility operators how to rectify this situation.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC 182: 'Information Provision at LNG Importation Facilities' be made.



Kersti Berge
Head of GB Markets

Signed on behalf of the Authority and authorised for that purpose.