



John Bradley
Secretary, UNC Modification Panel
Joint Office of Gas Transporters
31 Homer Road
Solihull
West Midlands
B91 3LT

E.ON UK plc
Westwood Way
Westwood Business Park
Coventry
West Midlands
CV4 8LG
eon-uk.com

Richard Fairholme
T 02476 181421
richard.fairholme@eon-uk.com

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Dear John,

RE: Modification Proposal 0219 - Publication of GB Wholesale Gas Market Liquidity Data

As the Proposer, E.ON UK fully **supports** the implementation of this Proposal. We are surprised and disappointed by National Grid NTS's (NG NTS) lack of support for this Proposal. Their approach to this Proposal has, in our view, been less than constructive and is inconsistent with their past initiatives aimed at improving transparency in the wholesale market through enhanced data provision. Furthermore, we believe that NG NTS's suggested implementation costs of circa. £20,000 – £65,000 represent a small cost to the industry given the significant benefits that implementation could bring in terms of improving transparency and understanding of the wholesale traded gas market.

We note that NG NTS already publishes much of this data in its Operational Forum meetings. However, this information has limited exposure outside of the Shipper attendees, is less complete than what is proposed here and is, of course, only provided each month; as opposed to daily data. Therefore, we believe there are significant merits for industry participants, customers and industry observers/commentators in having this data consolidated, updated regularly and easily accessible on National Grid's website.

Furthermore, we consider this proposal is a necessary and important step for the gas industry to take, particularly in light of the findings and recommendations made by the Ofgem

E.ON UK plc
Registered Office:
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Westwood Business Park
Coventry CV4 8LG

Energy Supply Probe and the *House of Commons Business & Enterprise Committee Report* and the subsequent Government Response, which have raised questions about the availability of wholesale market liquidity data and noted the importance of having such information easily accessible in the public domain. For instance, the Government has noted that:

“What is critical is that we can be confident that the markets that do exist and represent large proportions of gas supplied in the UK, and act as price benchmarks, are working effectively. Clearly, transparent and well-understood market information is a key element of well-functioning markets”¹.

In addition, we believe this Proposal should support Ofgem’s statement, as outlined in its *Energy Supply Probe – Initial Findings* that it *“intends to focus on improving wholesale market liquidity directly.”* We feel it is critical to have in place as a starting point, a recognised, codified measure of liquidity in the gas wholesale market, which we believe this Proposal would provide, if implemented.

This Modification Proposal better facilitates the following relevant objectives:

Standard Special Condition A11.1: (c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence

Implementation may assist National Grid NTS with its wider obligations to develop and maintain an efficient and economic system, by providing to the market, information where there is a genuine need for such information to be provided and it would be proportionate to do so.

Standard Special Condition A11.1: (d) ...the securing of effective competition: (i) between relevant shippers

Implementation may aid new entrants who, via the information proposed, may be better able to gauge the level of liquidity of the market and thereby take a more informed view of the risks and rewards of entering the market. This may ultimately attract more new entrants resulting in increased competition between gas shippers.

¹ Select Committee on Business and Enterprise [Seventh Special Report](#), October 2008.

Implementation may also benefit existing Users by providing a level playing field regarding access to market liquidity data, thereby better facilitating this particular objective.

Standard Special Condition A11.1: (f) of efficiency in the implementation and administration of the network code and/or the uniform network code

Implementation would provide a direct means of monitoring liquidity in the GB wholesale gas market and via this “health check” approach may help highlight either merits or deficiencies in the current UNC arrangements (e.g. if liquidity increases or decreases following the implementation of a UNC Modification Proposal).

Proposer’s response to issues raised in National Grid NTS’s written representation

E.ON UK notes that National Grid’s assessment that the industry “consensus” that all data should, in future, be provided only in raw data format was contradicted by customers attending the November Ofgem Demand Side Working Group, many of whom expressed a strong, specific desire for the data to be presented in graphical format. We can fully understand this need, as it is clearly very time and resource intensive for customers to be pulling together at least four different reports, consolidating and analysing the data on a daily basis. To assume non-Shippers would be willing and able to do this is clearly an unrealistic expectation by NG NTS.

As regards National Grid’s “fear” that this Proposal could lead to further requests for other data to be provided in different presentational formats, we firmly believe it is only fair that each case should be treated on its own merits and where there is a demonstrable need to present data in a certain way then this should not automatically be dismissed – particularly where it is in the interests of consumers to do so. In any case, any future requests would be subject to the UNC governance process and thereby would be subject to industry assessment. To this end, we believe NG NTS’s fears of a “floodgates” scenario are somewhat exaggerated.

We recognise that National Grid had led a number of initiatives to gauge industry opinion about certain aspects of its internal IT strategy. However, these took place in 2007; well before significant and high-profile developments in the energy industry; notably the Ofgem *Energy Supply Probe* and the *House of Commons Business & Enterprise Committee Report* and subsequent Government Response. We believe the industry has moved on since this UNC Review Group was concluded over a year ago and therefore we should not be strictly bound by, what was in effect only a consensus recommendation by some industry participants – not a contract between National Grid and its customers.



Finally we are surprised that National Grid believes this data may be misleading or inaccurate. This proposal has gone through very significant industry development – four Transmission Workstreams, three Modification Panels and one Ofgem Demand Side Working Group – all of which NG NTS attended. If its concern were genuine, then it has always been open to NG NTS to act constructively by raising an Alternative Modification Proposal, but it has chosen not to do so. In addition, E.ON UK has revised the proposal a number of times based on suggestions put forward by NG NTS, only to apparently find that these recommendations are now no longer supported by NG NTS. We find this somewhat perplexing.

Yours sincerely

Richard Fairholme (by email)
Trading Arrangements
E.ON UK