

Modification Report
Publication of UK Wholesale Gas Market liquidity Data
Modification Reference Number 0219
Version 3.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4

1 The Modification Proposal

Nature of the Proposal:

Gas trades by shippers at the NBP are currently notified to National Grid NTS either on, or ahead of, the relevant Gas Day. National Grid NTS already records and publishes the level of physical flows into the NTS (total daily input nominations). The purpose of this Modification Proposal is to consolidate and present mostly existing data (some of which is currently presented in separate and difficult-to-compare reports on NG NTS' website) in an easily accessible and meaningful manner. In doing so, this proposal aims to provide a single location for information pertaining to the liquidity of the GB wholesale gas market.

With rising commodity prices and misinformation from some quarters about the level of liquidity of the GB wholesale gas market, we believe there is a pressing need to publish this data in order to clearly demonstrate the competitiveness of the GB wholesale traded gas market. This proposal, if implemented, will be of particular interest to consumers, trade associations and potential new entrants to the market. It could also provide benefit to shippers/suppliers who may not currently have the capability to model or monitor market liquidity.

Publication of liquidity data would also provide a "health check" for the market and may help industry participants (including customers) to better understand movements in the wholesale price of gas. It should be noted that the aim of the proposal is *not* to make available commercially confidential information or to place any additional requirements on Users to provide data that is not already being provided.

The Proposal:

It is proposed to amend UNC TPD Section V, Annex V-1 ("Operational and Market Data"), such that National Grid NTS is required to publish and present aggregated data comprising for each Gas Day:

- (i) The daily **volume** (in TWh) of all total matched trades in respect of that Day (before the Day & within Day); and
- (ii) The **volume** (in TWh) of all total daily input nominations in respect of that Day; and
- (iii) The total **number** of matched trades to which the volume of all 'total matched trades' applies; and
- (iv) The total **number** of Users who have registered a Trade Nomination for the relevant Gas Day.

All of the above data will be published daily by National Grid NTS on D+2, by 13:00 hours. For clarity, where superior data is received by National Grid, the daily data presented on D+2 will not be updated retrospectively.

Additional Information

If this Modification Proposal is implemented, it is anticipated that parties may wish to promote a change to the Network Code Operations Reporting Manual (NCORM) in order to incorporate, within the established data dictionary approach, the additional data which it is proposed should be released. Any such NCORM change requires approval by a Panel majority of the UNC Committee. Additionally, under UNC TPD Section V 9.4.5 (a) “National Grid NTS will notify Users of its proposal not less than one month before implementing such proposal”.

Although it does not form part of this Modification Proposal, for information purposes, it is anticipated that the data detailed in this Proposal would be presented in the following formats:

(1) **Headline figures** to be displayed in tabular format on National Grid’s website, in the ‘Prevailing View’ section. An illustrative example is included below:

Day	Time	Total Daily Matched Trades (TWh)	Total Daily Input Nominations (TWh)	Total Number of Matched Trades	Total number of Users who have registered a Trade Nomination for the relevant Gas Day
07/04/2009	13:00	X	X	X	X

(2) **Graphical report & raw underlying data.** Two year’s worth of historical data to be presented on the National Grid website (e.g. “Operational Data”>”Report Explorer”>”Daily Summary Report”) in both graphical and raw underlying data formats. For clarity, this should include for each Gas Day:

- (i) The daily **volume** (in TWh) of all total matched trades (before the day & within day); and
- (ii) The **volume** (in TWh) of all total daily input nominations; and
- (iii) The total **number** of matched trades to which the volume of all ‘total matched trades’ applies; and
- (iv) The total **number** of Users who have registered a Trade Nomination for the relevant Gas Day.

Suggested Text

None provided.

2 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipeline system to which this licence relates;

SP believed that implementation would be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of

- (i) the combined pipe-line system, and/ or***
- (ii) the pipe-line system of one or more other relevant gas transporters;***

Implementation would not be expected to better facilitate this relevant objective.

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): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:

- (i) between relevant shippers;***
- (ii) between relevant suppliers; and/or***
- (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and 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. A number of respondents emphasised that the availability of information in easily accessible graphical form would particularly assist shippers and other industry parties in this respect. This may ultimately attract more new entrants resulting in increased competition between relevant shippers.

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

NGNTS, however, expressed concerns about the nature and quality of information supplied on a voluntary basis through the Gemini System from which the trading information is based. NGNTS particularly highlighted potential consolidation of a number of trades leading to an underestimate of total trades. In terms of numbers of Users trading NGNTS highlighted that the use of short codes will potentially include trades between affiliates of the same company so exaggerating the number of shippers trading.

In querying whether the credible benefits of implementation outweighed the implementation costs, RWE highlighted a number of readily accessible information sources available to shippers and other industry parties already. Other respondents, however, believed that the benefits to shippers would outweigh implementation costs.

Standard Special Condition A11.1 (e): so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (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;

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 rules (e.g. if liquidity increases or decreases following the implementation of a UNC Modification Proposal).

3 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

It is not believed that this Proposal will have any adverse effect on security of supply. Moreover, accessible liquidity data may actually increase security of supply as it gives all participants an accurate measure of the health of the market, thus helping to minimise the risk of participants taking disproportionate actions during times of system stress.

4 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

None anticipated.

b) Development and capital cost and operating cost implications:

There are likely to be some costs associated with collating, consolidating and publishing the new data on National Grid’s website. However, as National Grid NTS already collects and collates this data the only cost would be associated with presenting it in the prescribed formats proposed here, on a daily basis. National Grid NTS has presented a Rough Order of Magnitude estimate of the associated costs as follows:

The two options are:

1. delivering the new data items and reports proposed in the Proposal by changing the existing IE3/MIPI (P1) system; and
2. incorporating the changes into the existing MIPI Phase 2 Development Project.

The costs and delivery timescales for each option are:

	Option 1 (Amend Existing IE3/MIPI P1)	Option 2 (Amend MIPI P2)
Cost	Circa £65,500	Circa £20,000
Timescale	18 to 22 weeks to build	Incorporate into existing timeline (Q4 2009)

Please note the following:

If Option 1 is the directed option then the total costs will be circa £65,500 plus a portion of the costs for Option 2. This is because certain changes will also be required to the MIPI P2 system to reflect the changes implemented to the phase one system.

Assuming that a direction to implement the Modification Proposal is received from the Authority by the end of February 2009 Option 1 could possibly be delivered in Q3 2009.

Option 2 could be delivered in line with the existing MIPI P2 delivery timeline, i.e. in Q4 2009.

Whilst remaining neutral to implementation, RWE expressed a clear preference for Option 2 if this Proposal were implemented.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

It is for the Transporter to determine the costs of implementation; however, it is believed that this change could be accommodated by National Grid NTS within their existing budget for system changes.

d) Analysis of the consequences (if any) this proposal would have on price regulation:

None anticipated.

5 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

None identified.

6 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

There are clearly some implications with regard to developing and implementing changes to National Grid's current website.

7 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Administrative and operational implications (including impact upon manual processes and procedures)

None identified.

Development and capital cost and operating cost implications

Implementation may benefit Users by providing a level playing field regarding access to market liquidity data.

Consequence for the level of contractual risk of Users

Implementation may aid Users 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.

8 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

Implementation could provide potential benefits for all market participants; but in particular provide customers/consumers with easier access (than currently) to wholesale gas market liquidity data.

9 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

The proposed obligation on the Transporter will be to publish the prescribed data on a daily basis.

10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

- Improves visibility of the liquidity of the UK wholesale gas market without revealing commercially confidential information.
- Provides a “health check” on the UK wholesale gas market.
- Consolidates disparate data and presents in an easily accessible format, which is particularly important for customers or potential new entrants.
- Consistent with the Government response to the Ofgem Energy Supply Probe and the House of Commons Business & Enterprise Committee Report that notes the criticality of well-understood market information.
- Consistent with the findings of the Ofgem Energy Supply Probe.
- Demonstrates a co-operative industry response to recent criticisms and helps prevent unnecessary future criticisms.

Disadvantages

- Some costs would be incurred to implement this Proposal.

11 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representation were received from the following:

Association of Electricity Producers	AEP	Support
BOC Limited	BOC	Support
British Gas Trading Limited	BGT	Support
Corona Energy	CE	Support
E.ON UK plc	E.ON	Support
EDF Energy plc	EDFE	Support
National Grid NTS	NGNTS	Not in Support
RWE npower and RWE GmbH	RWE	Comments
Scottish and Southern Energy plc	SSE	Support
Scottish Power Energy Wholesale	SP	Support
Wales & West Utilities Limited	WWU	Not in Support

Of the eleven respondents, eight supported implementation, one offered comments and two did not support implementation.

12 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

13 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

14 Programme for works required as a consequence of implementing the Modification Proposal

Changes to the National Grid website would be required.

15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

NG NTS suggest an implementation date of Q3 2009 if option 1 is adopted or Q4 if option 2 is adopted.

16 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications have been identified.

17 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 18 December 2008, of the 9 Voting Members present, capable of casting 10 votes, 7 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

18 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

19 Text

TPD SECTION V: GENERAL

Add the following underlined text to the table in Annex V-1:

Annex V-1
Operational and Market Data

Column	Name	Description		
1	Data	data definition and indication of the time period to which the data corresponds		
2	Timing	initial publication timing and where appropriate, timing of updates if the data is subject to any change		
3	Format	tabular, graphical, other		
4	Presentation	downloadable, viewable or both		
5	Disclosure	public or restricted (and if restricted, list of entities to whom the data can be released)		
Data	Timing	Format	Presentation	Disclosure
The rate of flow of gas (in MSCM per Day) over a 2 minute period into the NTS from each National Grid LNG Storage Facility	Every 12 minutes, in respect of the six 2 minute periods commencing 24 minutes before the time of publication and ending 12 minutes before the time of publication	Tabular	Viewable	Public
The rate of flow of gas (in MSCM per Day) over a 2 minute period into the NTS at each Individual System Entry Point capable of flowing (in aggregate) more than 10 MSCM per Day of gas into the System.	Every 12 minutes, in respect of the six 2 minute periods commencing 24 minutes before the time of publication and ending 12 minutes before the time of publication.	Tabular	Viewable	Public

For each Aggregate System Entry Point capable of flowing (in aggregate) more than 10 MSCM per Day of gas into the System which has one or more associated System Exit Points, the sum (including where negative) of aggregate prevailing Input Nominations for such Aggregate System Entry Point less aggregate prevailing Output Nominations for such associated System Exit Point(s), in each case in respect of the following Day.	By 18:00 hours on each Day	Tabular	Viewable	Public
<p><u>For each Day:</u></p> <p>(i) <u>the total Trade Nomination Quantities (in TWh);</u></p> <p>(ii) <u>the aggregate quantity (in TWh) of all Input Nominations for all Users prevailing at the end of the Gas Flow Day;</u></p> <p>(iii) <u>the total number of Disposing Trade Nominations and corresponding Acquiring Trade Nominations; and</u></p> <p>(iv) <u>the total number of Users that have submitted a Trade Nomination.</u></p>	<u>On D+2 by 1300 hours each Day</u>	<u>Tabular and graphical</u>	<u>Viewable and downloadable</u>	<u>public</u>

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters