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### Modification Proposal 0219: Publication of UK Wholesale Gas Market Liquidity Data

Dear John,

RWE npower and RWE Trading GmbH are largely indifferent to the above Proposal and so only make comments about it and its potential implementation.

We recognise the well meaning intentions of the proposer in raising this Proposal to improve transparency. We support in principle measures designed to achieve this aim and to aid the understanding of the wholesale traded gas market. However, such support must always be predicated on there being credible benefits arising from such measures that are more than likely to outweigh any implementation costs.

We note that of the four specified data items the Proposal seeks to be published on D+2, ideally in a graphical form, three<sup>1</sup> of them are already available for interested parties to view or download from National Grid's website<sup>2</sup>. Also National Grid regularly publishes on its website, as part of the Operational Overview presentation<sup>3</sup> made at each monthly Operations Forum, updates of the total daily physical and total gas traded during the previous six months. Graphical representation of this information is available going back to October 2003 by searching past minutes of this group. Whilst the values of and ratio between the total daily physical and total gas traded vary considerably over this period there appears to be little significant variation within month. This does little to support the argument for graphical data to be published on a daily basis.

Information on the number and volume of trades conducted on the OCM is also regularly published as part of the APX presentation<sup>4</sup> at each monthly Operations Forum, and on a daily basis via APX's own website<sup>5</sup>.

Finally the FSA has, since 2005, published annual surveys of trading activity in

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<sup>1</sup> Daily volume of all matched trades, volume of all daily input nominations & total number of matched trades

<sup>2</sup> <http://marketinformation.natgrid.co.uk/gas/DataItemExplorer.aspx>

<sup>3</sup> [http://www.nationalgrid.com/NR/rdonlyres/2B11CFEA-F5C4-445A-8D6A-75B9DC9EB547/29743/OperationalOverview\\_October2008.pdf](http://www.nationalgrid.com/NR/rdonlyres/2B11CFEA-F5C4-445A-8D6A-75B9DC9EB547/29743/OperationalOverview_October2008.pdf)

<sup>4</sup> <http://www.nationalgrid.com/NR/rdonlyres/5A6DA268-99CD-429A-844F-C4D2C86524B7/29742/APX.pdf>

<sup>5</sup> <http://www.apxgroup.com/index.php?id=82>

UK gas markets on its website,<sup>6</sup> split between electronic and voice brokered platforms. ICIS Heren's daily ESGM report also records details of the total quantity of UK gas traded each day on the OTC and the ICE Natural Gas futures market.

From the above it can be seen that there is already a wealth of readily accessible information available to interested parties regarding gas market liquidity. We question therefore whether the requirements of the Proposal as regards publishing the daily volume of all matched trades/input nominations and the total number of matched trades will provide Users, or other interested parties, with any meaningful information they are not currently able to obtain from existing sources.

As regard the number of Users registering Trade Nominations, whilst there is no information currently published regarding this on a regular basis it is possible to deduce the maximum number of potential wholesale market trading counterparties from the Network Code Signatories List and the APX UK Gas Group Members published on their website<sup>7</sup>. Of the sixty nine Network Code Signatories who are currently APX UK Gas Group Members we estimate just over half are currently trading, both in the prompt and along the forward curve.

Publishing information about the number of Users registering Trade Nominations on a regular basis would help to improve the transparency and understanding of the wholesale traded gas market. We would support National Grid making this available via the Data Item Explorer on their website as part of the next phase of MIPI.

Bearing in mind there is expected to be little significant daily variation in the ratio of the daily volume of all matched trades to the volume of all daily input nominations or, to a lesser extent, the numbers of matched trades or Users registering Trade Nominations, it is hard to see the potential benefits arising from the Proposal outweighing the rough order of magnitude costs associated with changing the existing IE3/MIPI Phase 1 system (Option 1). To this extent, if the Proposal is approved we would prefer it to be implemented by incorporating the changes into MIPI Phase 2 (Option 2), particularly as the benefit of earlier implementation that Option 1 has over Option 2 is likely to be limited only to three or four months duration.

Yours sincerely,

Steve Rose  
Economic Regulation

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<sup>6</sup> [http://www.fsa.gov.uk/pubs/other/analysis\\_energy\\_2008.pdf](http://www.fsa.gov.uk/pubs/other/analysis_energy_2008.pdf)

<sup>7</sup> [http://www.apxgroup.com/index.php?id=32&user\\_apxmembers\\_sort=3](http://www.apxgroup.com/index.php?id=32&user_apxmembers_sort=3)