

Our Ref
Your Ref Publication of near real time data at UK Sub-terminals – Impact Assessment

Sonia Brown
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Date 24 June 2005

Dear Sonia,

3rd party proposal: Publication of near real time data at UK sub-terminals – modification reference UNC 006 (027)

Thank you for giving EDF Energy the opportunity to respond to Ofgem's Impact Assessment (IA) on energywatch's modification 006 UNC (727).

EDF Energy believes that market transparency and the provision of information to all market participants on an equal basis are the basic ingredients for a market to function properly and efficiently.

EDF Energy responded to Transco's Draft Modification Report (DMR) in March supporting the implementation of this modification, as it was evident that the benefits far outweighed the potential costs involved. We are pleased therefore to read that Ofgem's IA calculations, albeit lower than energywatch's original calculation, show net benefits to the industry and customers.

EDF Energy welcomes the work and effort the DTI, Transco, Ofgem and the offshore industry have put into implementing the Offshore Information Release program. However, we believe that there is more that could be done to produce a level playing field for information release across the gas industry, where producer affiliated shippers do not have a competitive advantage compared to down stream shippers. This situation does not exist in electricity where the level of electricity production is available to all parties on a site-by-site and a real-time half-hourly basis.

We also believe that informal derogation of Transco's licence condition A7 should not be renewed or formalised as it will only create more complexity and regulatory burden which would hinder the efficient operation of Transco's Gas Transporter (GT) licence and the Uniform Network Code (UNC) modifications process.

We therefore agree with Ofgem's analysis which supports implementation of this modification and recommend that it is implemented as soon as possible as it satisfies the requirements of Transco's relevant objectives under their Standard Special licence condition A11 and applicable EU legislation promoting open and transparent energy markets.

We hope that you will find these comments helpful. If you would like to discuss any of the issues raised in our response please me on 0207 752 2522.

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Yours sincerely

John Costa
Energy Market Strategy

DTI information release

The DTI Information Release program is reaching its third and final stage where real-time offshore flows will be published on a hourly basis on a north/south aggregated basis from July 2005. EDF Energy welcomes this initiative and the work done by Transco, Ofgem and the offshore industry as it is a first step in producing a level playing field for information release across the gas industry. However, we believe there is still much information which is required to ensure that no single shipper, or groups of shippers, achieve a competitive advantage in relation to other shippers in the industry. It is apparent in this case, even with phase three real-time data that producer-affiliated shippers will continue to have access to real-time flows on a local basis which is critical for both Transco and shippers to be able to efficiently react to local supply signals.

Licence obligations

We note that Transco's temporary derogation on section 4e of their licence expired at the end of April 2005. We responded to Ofgem's letter on the matter at the time and recommended that option 1, the removal of the derogation, was the best route to follow¹ as options 2 and 3 would take longer to implement and introduce more complex regulatory arrangements thereby restricting the potential for greater industry transparency going forward. Ofgem would still have the right and obligation to judge each modification request for information release under its relevant merits and decide whether such a modification would leave any one party at a commercial disadvantage as per their statutory duties².

Ownership of data

We do not believe that there are any confidentiality issues involved in releasing this data, as it is Transco's metered flows and view of NTS inputs at sub-terminal level. Transco does receive data from Terminal Operators but it will be an assessment of that data, together with their own metered data which they will publish, making this a new data flow which belongs solely to Transco. Therefore, what Transco will have to publish under this proposal will be their own gas flow data and no one else's. We cannot see how this may breach any confidentiality clauses that may exist between Transco and offshore parties.

It would be up to individual shippers to assess how best to use this data from Transco but stress that extra offshore data relating to the main arteries into the NTS is better than none and can only further the relevant objectives of Transco's licence and improve market efficiency through greater transparency. There has been an exodus of market participants in recent years leading to the fall in liquidity and increase in price volatility witnessed. We believe a level playing field for offshore information will help restore market confidence and thus reverse this situation.

Duplicate metering

EDF Energy notes that there would be extra cost associated with Transco installing duplicate metering on their side of the fence but the benefits to the community would still be net positive as Ofgem's calculations have shown. However, we believe that this requirement would be kept to a minimum as Transco and the offshore industry would find more economical ways of ensuring their costs relating to data provision were reduced. Indeed, we believe that this modification could actually improve the efficient working relationship between Transco and offshore parties as they would now be incentivised to find new ways of working together to produce this data to Transco and the wider community on a more efficient and effective basis.

Threat to withdraw voluntary data

¹ EDF Energy letter to Steven Smith - 15 March 2005

² Ofgem rejected modification 618 "Publication of Shrinkage Provider gas procurement and disposal information" raised by EDF Energy, as it would adversely expose the commercial position of one or more parties (Transco in this case). We believe Ofgem will use the same rationale when opining on modifications in future regardless of whether option two or three above is adopted.

EDF Energy is concerned that some parties have threatened to withdraw data flows from Transco should this modification be implemented. We do not think this behaviour would be approved by Ofgem, the DTI, the HSE or Transco as it could put the safety of the NTS at risk. Also, the fact that parties are simply able to withdraw their data shows the inherent weakness of this voluntary scheme. Whilst we doubt that producers would strive so far to hinder the process we would urge the DTI and Ofgem to monitor the situation to ensure that a) these parties do not carry out their threats and the b) if they do it can be identified at the earliest opportunity to ensure the UK gas system is not put at risk.