

**From:** Bolitho, Peter (Energy Wholesale) [Peter.Bolitho@eon-uk.com]  
**Sent:** 24 June 2005 15:46  
**To:** Sonia Brown  
**Cc:** Wholesale Markets; Jo Witters; Sykes, Christiane (Energy Wholesale)  
**Subject:** E.ON UK response to Mod UNC 006 (0727) Impact Assessment

Sonia

Please find attached E.ON UK's response to the above consultation. Generally we are content with Ofgem's analysis.

The main information to add is that we have sought to quantify the impact of the market as a whole of distressed purchases on within-day gas prices, with full disclosure at all entry points. This supports our belief that the protection afforded to small single user entry points (which forms part of Mod 727) is not unduly discriminatory.

. <<Mod0727Impact Assessment-E.ON response.doc>>

<<DMR 727 response.doc>> <<Appendix B OfgemIA0727-E.ONCBtable.doc>>

We are happy to have our response published on the Ofgem website except for Appendix B which we would ask Ofgem/DTI to keep confidential.

Regards

Peter Bolitho

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24 June 2005

Dear Sonia

**3<sup>rd</sup> Party Proposal: Publication of Near Real Time Data at UK sub-terminals.  
Modification Reference Number UNC 006 (0727)**

Thank you for giving us the opportunity to comment on this impact assessment. E.ON UK is in broad agreement with Ofgem's assessment conclusions, and believes that the net quantifiable benefits of modification proposal UNC 006 (0727) quoted are a realistic assessment of its likely incremental impact. In our view Ofgem are right to conclude that the more substantial benefits should be realised from the increased information disclosure that has already, or is about to take place as part of the DTI/Ofgem information initiative. Nevertheless, judged against the current UNC baseline the added benefits of the proposal are still worth pursuing.

Rather than restate views made in response to earlier consultations we have chosen to focus our comments specifically on Ofgem's quantitative and qualitative evaluation of costs and benefits. We have however for reference attached our previously stated views in our response to the draft modification report (Appendix A).

In our view the modification proposal carefully balances matters of commercial confidentiality of individual market participants with the need of the market to have access to delivery data. In doing this we consider the changes will improve overall market confidence and market efficiency. Rather than advocating complete disclosure of near real-time flow data at all entry points it does restrict information disclosure at small single user entry points where parties' interests would otherwise be seriously and prejudicially affected. E.ON UK considers that by specifically addressing these concerns the adverse impact on such parties (who are for the most part not gas producers) and the market as a whole can be mitigated.

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Without such protection we consider the general reduction in market volatility benefits suggested by Ofgem (> £3.8m) would be more than offset by the inflationary effect on within-day market prices of parties forced to buy large volumes of gas at distressed prices. E.ON UK estimates that conservatively the cost of this to the market as a whole would be at least £4.5m per annum. We also consider that Transco's balancing costs would perhaps increase by £0.5m because of higher than necessary market prices. Full details of how we have derived these figures are shown in Appendix A, attached.

We are somewhat sceptical about the cost of IT changes considered necessary to implement UNC 006 (0727). It is difficult to understand why the presentation of data which has already had to be aggregated for the Phase 3, Category 1 real time flows on a North and South basis should involve much cost at all. Surely all that is required is to publish the 'raw' real-time flow data (used for Phase 3, Category 1) by sub-terminal for the relevant entry point permitted under UNC 006 (0727). We would suggest that a cost of no more than £300,000 might be a more reasonable estimate, although that is being very generous.

We also understand that there may be some concerns about the interpretation of the drafting of the legal text. In our view the interpretation is clear. Near real-time data is data that Transco is obliged to publish soon after the end of each hour bar. Data should be published as soon as practicable and we consider that within 15 minutes of each hour bar is reasonable.

In the impact assessment Ofgem also consider the risk that parties might withdraw from the existing voluntary information disclosure arrangements. The extent of this risk perhaps relates to the degree to which the implementation of modification proposal UNC 006 (0727) could seriously and prejudicially affect the interests of such users. We assume that parties who believe they are so affected will seek to demonstrate this in confidential submissions to Ofgem. It is our belief that organisations will also wish to consider the possible impact on their reputation of any unilateral withdraw from the voluntary arrangements. Overall this probably makes the risk of a general withdrawal from the voluntary information arrangements pretty low. We trust Ofgem will be best placed to assess this from the information and explanations it receives or does not receive in response to this consultation.

We trust you find our response helpful in assisting the Authority's decision on modification proposal UNC 006 (0727). Please do not hesitate to contact me if you wish to discuss matters further.

Yours sincerely,

Peter Bolitho

Encs.

Appendix A – E.ON UK response to modification proposal 727 draft modification report.  
Appendix B – Summary of E.ON UK's views on Ofgem's assessment of costs and benefits compared to the baseline





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Wednesday 2<sup>nd</sup> March 2005

**Response to Modification proposal 727: 3<sup>rd</sup> Party Proposal:  
Publication of Near Real Time Data at UK sub-terminals**

Dear Julian

E.ON UK supports the implementation of this modification proposal.

More transparency in the operation of the upstream UK gas market and the UK-continental interconnector operations should be encouraged. This proposal will improve overall market confidence and market efficiency provided such disclosure does not unduly disadvantage market participants through the exposure of individual commercial positions.

In considering what information should be disclosed in any particular market, E.ON UK believe it is important to consider how market participants use that information and whether particular parties obtain unfair relative advantage as a result. The 10 mcmd de minimus level will protect a number of key downstream buyers, who are active in generation, shipping and supply, who might otherwise find themselves in a distressed purchase position.

At this stage unrestricted disclosure of a 'real-time' flow data at smaller single user entry points would inadvertently favour sellers under certain circumstances. The current typical level of liquidity in the gas wholesale market is such that it would prove difficult for shippers and 'end-user' shippers to purchase larger volumes of gas within-day without moving the gas price significantly. Overall the right balance between the commercial interests of buyers and sellers (producers) seems to have been achieved by this proposal.

In our view the disclosure of near real-time information as specified in the energywatch proposal will improve the efficiency of the gas wholesale market, which will in turn facilitate the applicable licence objective 9 (c) the

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securing of effective competition between relevant shippers and between relevant suppliers.

Please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely

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