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Uniform Network Code (UNC) Modification Proposal 006 “3rd Party Proposal: Publication of Near Real Time Data at UK sub-terminals

Dear Sonia,

Further to your letter of the 24th October we have, within the limited time available, given consideration to the impact and value of gas entry flow information we now have access to and further information it is envisaged would be published under modification proposal 006.

We have found the information now being published under the four stages of the DTI/Ofgem/UKOOA voluntary release scheme helpful in allowing us to form a reasonably accurate picture of gas flows into the system during the day. This, along with gas demand and linepack information which is also available, allows us to take an informed view of the overall supply/balance of the system at any one time, such that we can operate in the market in an efficient manner.

Screen scraping techniques are used to feed aggregated actual gas flow information and other relevant system information that is published on National Grid Gas's website directly to our gas traders and trading systems. This, combined with information gleaned from news services, trade publications and other market participants has helped us to identify when gas supply problems have occurred within a reasonably short timeframe.

Whilst the actual flow information is helpful we have noticed that the information published exhibits what appear to be significant changes in supply during the course of the gas day which are not related to any specific supply side failures or difficulties. This is not unexpected as the information represents a snapshot of the actual flow at a particular point in time for a large number of entry points, which is then multiplied by 24 to represent a notional daily supply.

We remain concerned that parties may place too much emphasis on the benefit of actual data published on this basis, whether in aggregate or by sub terminal, and believe this could contribute towards an increase in short term market volatility.

We have yet to notice any reduction in bid offer spreads arising from publication of actual flow information, although we do believe it has helped market participants operating in the within day market to trade with more confidence that their core

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understanding of the demand supply fundamentals is correct.

With this in mind we do not believe that publishing snapshot actual flow information at a sub terminal and on a more regular basis (as envisaged under modification proposal 006) will lead to any appreciable incremental benefit to market participants. In our opinion it is difficult to justify the modification proposal based on market efficiency grounds without evidence of a discernible reduction in short term bid offer spreads, and experience since July suggests this is unlikely to occur.

The sheer quantity of data that would be published under modification proposal 006 increases the scope for data errors and for parties to misinterpret the information published. Providing information on a disaggregated basis may also lead to trading parties front running the market when flow data suggests that supply side problems may be occurring at a particular sub terminal, which could increase short term volatility.

We have yet to decide how we might use the data ourselves in the event modification proposal 006 were to be accepted. However, our initial view is that it is unlikely we would upload and update the data published onto trading systems each time it is refreshed but would instead be more likely to use it as a cross check against aggregated actual information when this showed an appreciable change in hourly flow.

Finally in commenting on the legal text accompanying modification proposal 006, we believe paragraph 5.9.2.b should not be included as Ofgem have made it clear that their decision to accept or reject this proposal will be mindful of issues relating to confidentiality. Ofgem will need to weigh up the risk that producers may withdraw their support from the DTI/Ofgem/UKOAA voluntary release scheme and that National Grid Gas may be put in breach of existing confidentiality arrangements when deciding whether to accept or reject the modification proposal.

If having considered these matters Ofgem believe the modification proposal furthers the UNC relevant objectives then National Grid Gas should not be entitled to withhold publication of this data even if it is covered by the provisions of a confidentiality agreement.

RWE npower is now of the opinion that publishing further actual flow data on a disaggregated sub terminal basis is unnecessary and will not greatly enhance market efficiency. It is also remains possible that acceptance of modification proposal 006 may lead to producers withdrawing support for the aggregated data currently being published and increase short term volatility. Based on our experience of the last few months, and having now a better understanding of the incremental information that is proposed to be published, we now no longer support the implementation of this modification proposal.

Yours sincerely,

Steve Rose
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