Producer letter

Promoting choice and value to customers

Direct Dial: 020 7901 7444
Email: Hannah.cook@ofgem.gov.uk

10 January 2006

Dear Colleague,

Publication of Near Real Time Data at UK Sub-Terminals (UNC Modification Proposal 006) - Ofgem Impact Assessment - Case Study

As you will be aware, Ofgem is intending to publish an Impact Assessment (IA) regarding Modification Proposal 006 (the Proposal) at the end of January/beginning of February 2006. To inform this IA Ofgem has been seeking to understand the incremental benefits and costs associated with the release of near to real time sub-terminal information.

As part of this analysis, Ofgem has looked into particular instances in which offshore outages have occurred and the level of information that would be available to market participants in these instances. Ofgem is seeking your views on the way in which the availability of near to real time sub-terminal information may have changed your behaviour in these examples and any costs or benefits that may have been associated with this.

Background

As of May 2005, as part of the DTI voluntary information initiative, Transco NTS[1] made available information regarding flows of gas at each of the sub-terminals two days after the event (D+2). Additional information regarding near to real time hourly flow data aggregated on a north-south basis was also made available to market participants from 29 June 2005, under the DTI voluntary information initiative.

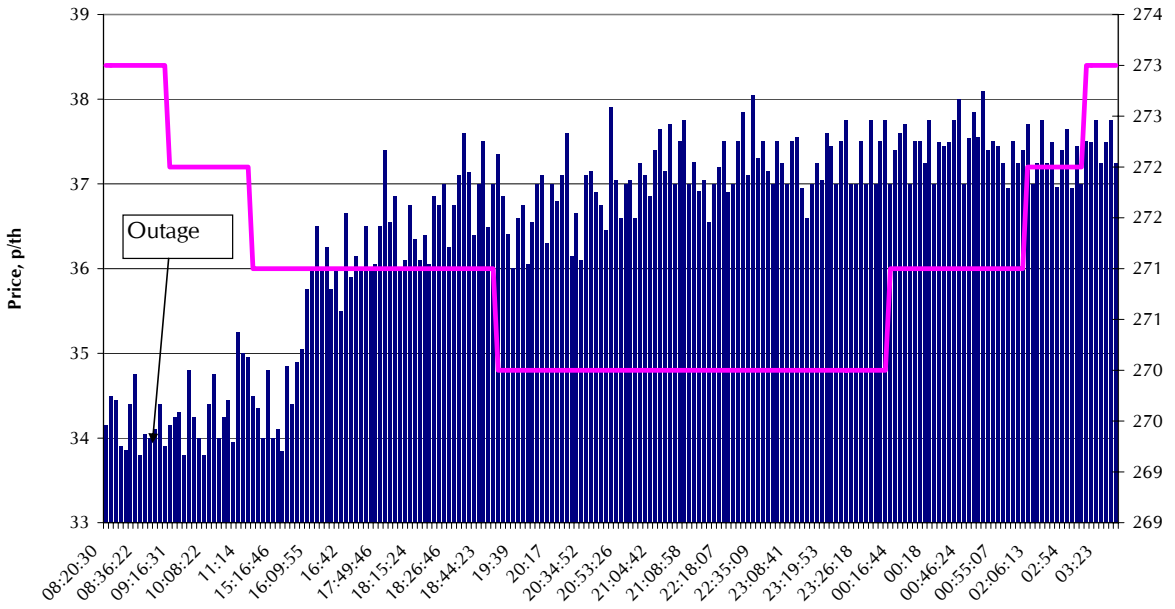
With the information currently available, as well as the line pack data that National Grid Gas Plc NTS (NGG NTS) provides on its website, following an offshore outage market participants may be aware that there has been a change in line pack but they would not be able to discern any changes in individual sub-terminal flows. As such, market participants would have to make assumptions on the reasons for the change in line pack and would not necessarily be aware that an offshore outage had occurred.

[1] Now National Grid Gas Plc NTS (NGG NTS)

Input into the Impact Assessment

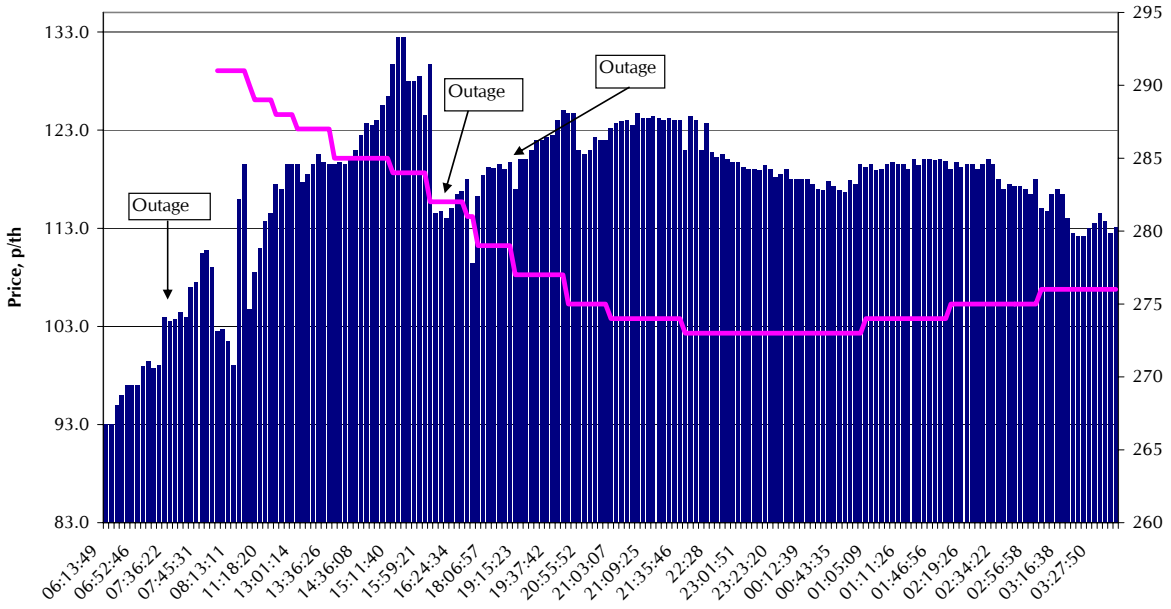
Ofgem has looked into instances in which offshore outages have occurred and the level of information that would be available to market participants in these instances. On the basis of this analysis Ofgem has worked up some two examples which mimic the effect that the incidence of an offshore outage may have on observed line pack as well as its impact on the price. Two such examples are provided below as examples 1 and 2. These examples illustrate the change in line pack that may be observed and the consequent impact that these changes in market conditions may have therefore had on the price of gas.

Example 1



Example 1 above provides an illustration of a 24-hour period in which outages occur throughout the day with the first outage beginning early in the morning. The pink line represents line pack changes across the day, and as can be seen, in this example there is a gradual decline in the level of line pack until late evening, with gas price increasing and becoming more volatile (represented by the blue bars) as the line pack continues to decrease.

Example 2



Example 2 shows a day where an offshore outage occurs early in the gas day. The pink line represents line pack changes across the day, and as can be seen when the line pack decreases the price of gas increases (represented by the blue bars).

Ofgem considers that it may be the case that in examples 1 and 2 outlined above an upstream producer's position may not be affected by these particular offshore outages. However, Ofgem has been made aware of the concerns of upstream producers that potentially confidential or sensitive information may be released under the proposal.

With respect to the above examples, Ofgem is seeking a response from you, as an upstream producer, regarding the way in which the availability of near to real time sub-terminal flow information may have impacted upon your behaviour or the costs that you incurred. In particular, we would like to hear your views regarding:

1) How you would have behaved in the above examples, with current information. In particular, how you would have reacted to the reduction in line pack and its coincidence with an increase in the price of gas.
2) How your behaviour would have changed in the examples outlined above if near to real time sub-terminal flow data was available.
3) The potentially sensitive or confidential information that could possibly be released under the provision of near real time sub-terminal flow data?
4) What costs you would envisage that you may incur as a result of the release of near to real time sub-terminal flow information in the examples above.
5) What benefits you would envisage as a result of the release of near to real time sub-terminal data in the examples above.

To ensure that information is received in time to inform the analysis carried out as part of the IA, Ofgem would appreciate a response regarding this issue by **16 January 2005**.

Please call me on the above number if you would like to discuss any of the issues detailed in this letter.

Yours sincerely

By email.

Hannah Cook
Wholesale Markets

Shipper letter

Promoting choice and value to customers

Direct Dial: 020 7901 7444
Email: Hannah.cook@ofgem.gov.uk

10 January 2006

Dear Colleague,

Publication of Near Real Time Data at UK Sub-Terminals (UNC Modification Proposal 006) - Ofgem Impact Assessment - Case Study

As you will be aware, Ofgem is intending to publish an Impact Assessment (IA) regarding Modification Proposal 006 (the Proposal) at the end of January/beginning of February 2006. To inform this IA Ofgem has been seeking to understand the incremental benefits and costs associated with the release of near to real time sub-terminal information.

As part of this analysis, Ofgem has looked into particular instances in which offshore outages have occurred and the level of information that would be available to market participants in these instances. Ofgem is seeking your views on the way in which the availability of near to real time sub-terminal information may have changed your behaviour in these examples and any costs or benefits that may have been associated with this.

Background

As of May 2005, as part of the DTI voluntary information initiative, Transco NTS[2] made available information regarding flows of gas at each of the sub-terminals two days after the event (D+2). Additional information regarding near to real time hourly flow data aggregated on a north-south basis was also made available to market participants from 29 June 2005, under the DTI voluntary information initiative.

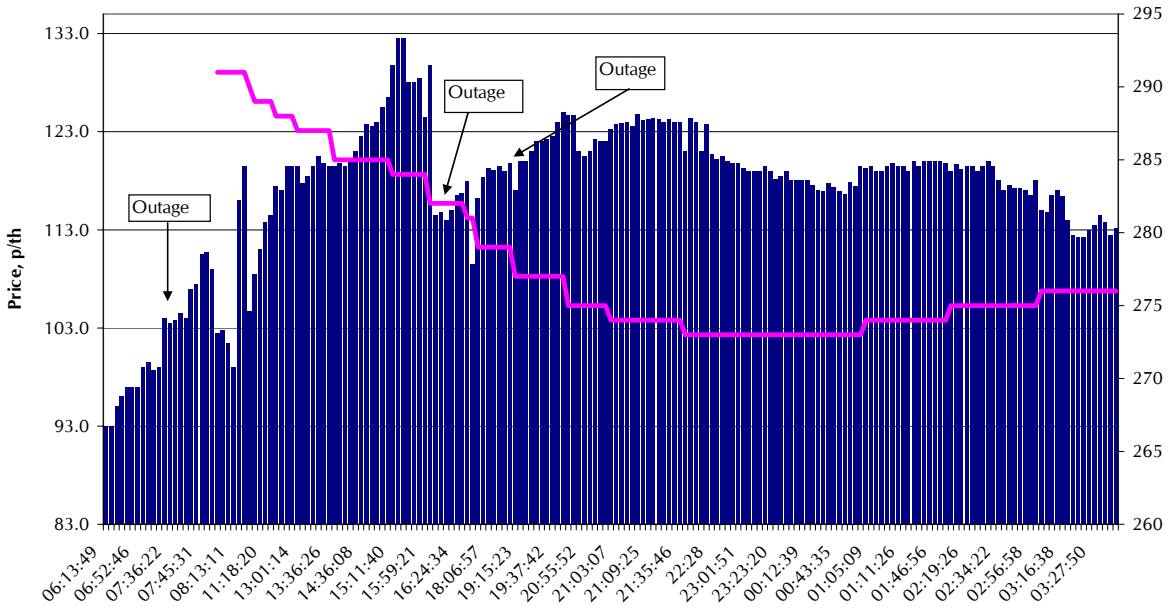
With the information currently available, as well as the line pack data that National Grid Gas Plc NTS (NGG NTS) provides on its website, following an offshore outage market participants may be aware that there has been a change in line pack but they would not be able to discern any changes in individual sub-terminal flows. As such, market participants would have to make assumptions on the reasons for the change in line pack and would not necessarily be aware that an offshore outage had occurred.

[2] Now National Grid Gas Plc NTS (NGG NTS)

Input into the Impact Assessment

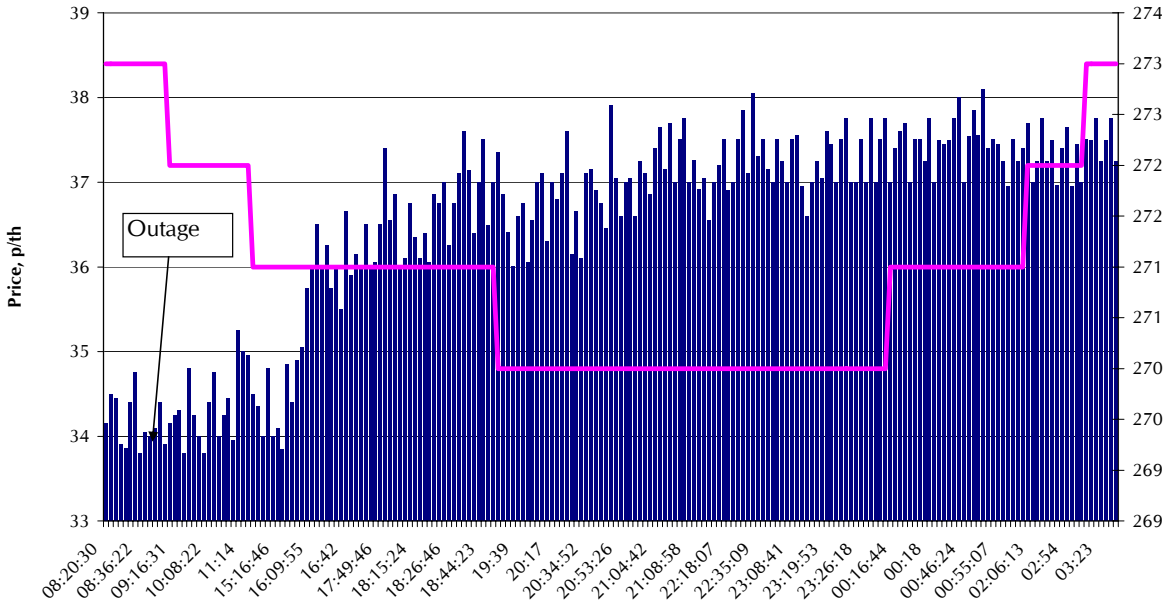
Ofgem has looked into instances in which offshore outages have occurred and the level of information that would be available to market participants in these instances. On the basis of this analysis Ofgem has worked up some two examples which mimic the effect that the incidence of an offshore outage may have on observed line pack as well as its impact on the price. Two such examples are provided below as examples 1 and 2. These examples illustrate the change in line pack that may be observed and the consequent impact that these changes in market conditions may have therefore had on the price of gas.

Example 1



Example 1 above provides an illustration of a 24-hour period in which outages occur throughout the day with the first outage beginning early in the morning. The pink line represents line pack changes across the day, and as can be seen, in this example there is a gradual decline in the level of line pack until late evening, with gas price increasing and becoming more volatile (represented by the blue bars) as the line pack continues to decrease.

Example 2



Example 2 shows a day where an offshore outage occurs early in the gas day. The pink line represents line pack changes across the day, and as can be seen when the line pack decreases the price of gas increases (represented by the blue bars).

Ofgem considers that in Examples 1 and 2 above it could be the case that given there is a delay of 2 days before discernable information becomes available regarding sub-terminal flows, market participants only have a limited opportunity to trade and effectively manage their position using line pack data and information made available as part of the DTI information initiative. In these examples gas shippers may therefore be exposed to being out of balance and risk uncertain balancing charges.

Ofgem considers that with the new information available, gas shippers would be given the opportunity to enter the market and buy/sell in order to manage their position with more certainty. This might lead to the market remaining in balance more often without intervention from NGG NTS and may therefore lead to a more efficient overall outcome. Similarly more detailed real time information may encourage greater participation in the on the day market.

With respect to the above examples, Ofgem is seeking a response from you, as a gas shipper, regarding the way in which the availability of near to real time sub-terminal flow information may have impacted upon your behaviour or the costs that you incurred. In particular, we would like to hear your views regarding:

6) How you would have behaved in the above examples, with current information. In particular, how you would have reacted to the drop in line pack and its coincidence with an increase in the price of gas.
7) How your behaviour would have changed in the examples outlined above if near to real time sub-terminal flow data was available?

8) What benefits you would envisage as a result of the release of near to real time sub-terminal data in the examples above?
9) What costs you would envisage that you may incur as a result of the release of near to real time sub-terminal data in examples 1 and 2 above?

To ensure that information is received in time to inform the analysis carried out as part of the IA, Ofgem would appreciate a response regarding this issue by **16 January 2005**.

Please call me on the number above if you would like to discuss any of the issues detailed in this letter.

Yours sincerely

By email.

Hannah Cook
Wholesale Markets

Large gas user

Promoting choice and value to customers

Direct Dial: 020 7901 7444
Email: Hannah.cook@ofgem.gov.uk

10 January 2006

Dear Colleague,

Publication of Near Real Time Data at UK Sub-Terminals (UNC Modification Proposal 006) - Ofgem Impact Assessment - Case Study

As you will be aware, Ofgem is intending to publish an Impact Assessment (IA) regarding Modification Proposal 006 (the Proposal) at the end of January/beginning of February 2006. To inform this IA Ofgem has been seeking to understand the incremental benefits and costs associated with the release of near to real time sub-terminal information.

As part of this analysis, Ofgem has looked into particular instances in which offshore outages have occurred and the level of information that would be available to market participants in these instances. Ofgem is seeking your views on the way in which the availability of near to real time sub-terminal information may have changed your behaviour in these examples and any costs or benefits that may have been associated with this.

Background

As of May 2005, as part of the DTI voluntary information initiative, Transco NTS[3] made available information regarding flows of gas at each of the sub-terminals two days after the event (D+2). Additional information regarding near to real time hourly flow data aggregated on a north-south basis was also made available to market participants from 29 June 2005, under the DTI voluntary information initiative.

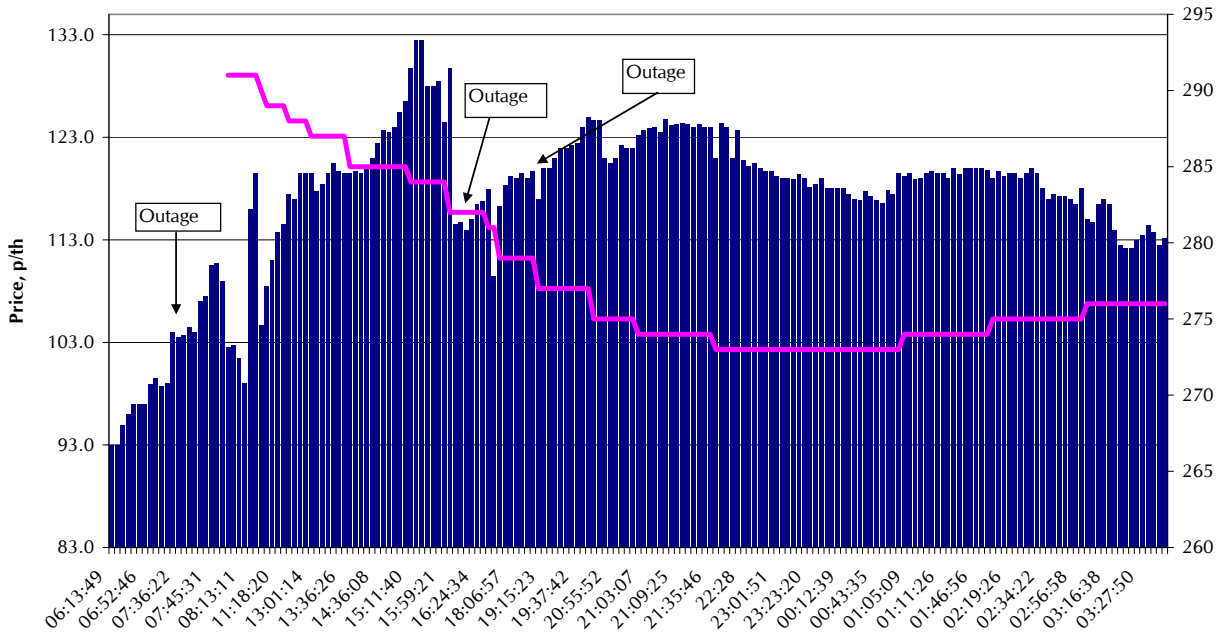
With the information currently available, as well as the line pack data that National Grid Gas Plc NTS (NGG NTS) provides on its website, following an offshore outage market participants may be aware that there has been a change in line pack but they would not be able to discern any changes in individual sub-terminal flows. As such, market participants would have to make assumptions on the reasons for the change in line pack and would not necessarily be aware that an offshore outage had occurred.

[3] Now National Grid Gas Plc NTS (NGG NTS)

Input into the Impact Assessment

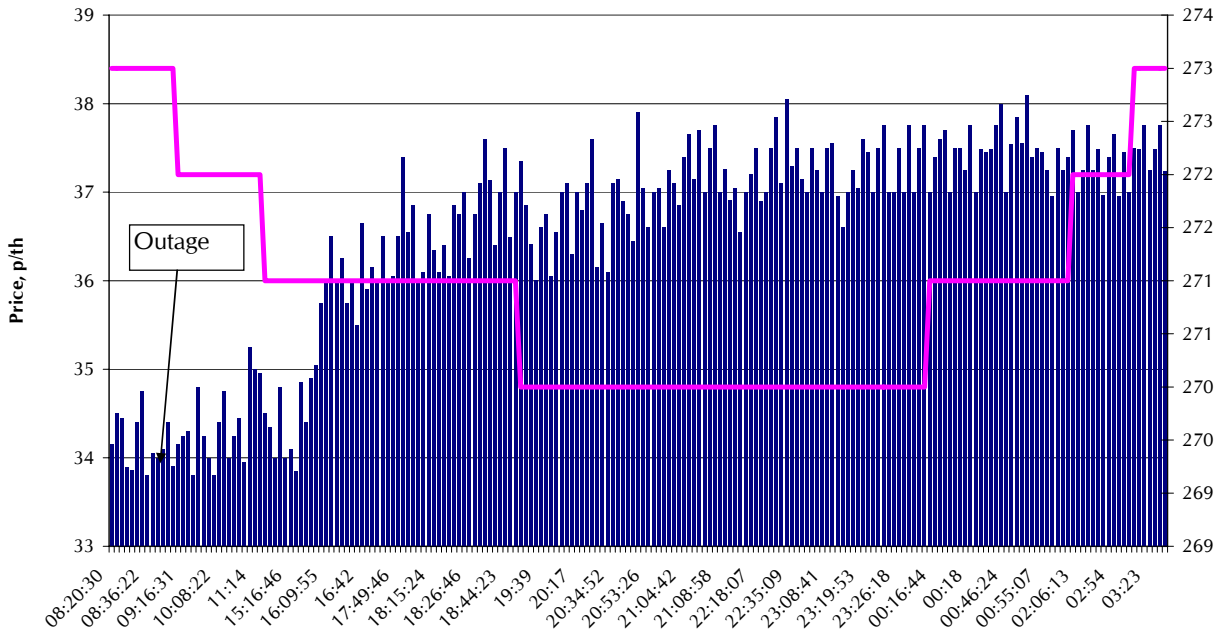
Ofgem has looked into instances in which offshore outages have occurred and the level of information that would be available to market participants in these instances. On the basis of this analysis Ofgem has worked up some two examples which mimic the effect that the incidence of an offshore outage may have on observed line pack as well as its impact on the price. Two such examples are provided below as examples 1 and 2. These examples illustrate the change in line pack that may be observed and the consequent impact that these changes in market conditions may have therefore had on the price of gas.

Example 1



Example 1 above provides an illustration of a 24-hour period in which outages occur throughout the day with the first outage beginning early in the morning. The pink line represents line pack changes across the day, and as can be seen, in this example there is a gradual decline in the level of line pack until late evening, with gas price increasing and becoming more volatile (represented by the blue bars) as the line pack continues to decrease.

Example 2



Example 2 shows a day where an offshore outage occurs early in the gas day. The pink line represents line pack changes across the day, and as can be seen when the line pack decreases the price of gas increases (represented by the blue bars).

Ofgem considers that in Examples 1 and 2 above it could be the case that given there is a delay of 2 days before discernable information becomes available regarding sub-terminal flows, market participants only have a limited opportunity to trade and effectively manage their position using line pack data and information made available as part of the DTI information initiative. In these examples large users may therefore be exposed to being out of balance and risk uncertain balancing charges.

Ofgem considers that with the new information available, large users would be given the opportunity to enter the market and buy/sell or switch to other energy sources in order to manage their position with more certainty. This might lead to the market remaining in balance more often without intervention from NGG NTS and may therefore lead to a more efficient overall outcome. Similarly more detailed real time information may encourage greater participation in the on the day market.

With respect to the above examples, Ofgem is seeking a response from you, as a large gas user, regarding the way in which the availability of near to real time sub-terminal flow information may have impacted upon your behaviour or the costs that you incurred. In particular, we would like to hear your views regarding:

10) How you would have behaved in the above examples, with current information. In particular, how you would have reacted to the drop in line pack and its coincidence with an increase in the price of gas.

11) How your behaviour would have changed in the examples outlined above if near to real time sub-terminal flow data was available?
12) What benefits you would envisage as a result of the release of near to real time sub-terminal data in the examples above?
13) What costs you would envisage that you may incur as a result of the release of near to real time sub-terminal data in examples 1 and 2 above?

To ensure that information is received in time to inform the analysis carried out as part of the IA, Ofgem would appreciate a response regarding this issue by **16 January 2005**.

Please call me on the number above if you would like to discuss any of the issues detailed in this letter.

Yours sincerely

By email.

Hannah Cook
Wholesale Markets

Consumer representative

Promoting choice and value to customers

Direct Dial: 020 7901 7444
Email: Hannah.cook@ofgem.gov.uk

10 January 2006

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As part of this analysis, Ofgem has looked into particular instances in which offshore outages have occurred and the level of information that would be available to market participants in these instances. Ofgem is seeking your views and the views of your members on the way in which the availability of near to real time sub-terminal information may have changed their behaviour in these examples and any costs or benefits that may have been associated with this.

Background

As of May 2005, as part of the DTI voluntary information initiative, Transco NTS[4] made available information regarding flows of gas at each of the sub-terminals two days after the event (D+2). Additional information regarding near to real time hourly flow data aggregated on a north-south basis was also made available to market participants from 29 June 2005, under the DTI voluntary information initiative.

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[4] Now National Grid Gas Plc NTS (NGG NTS)

Input into the Impact Assessment

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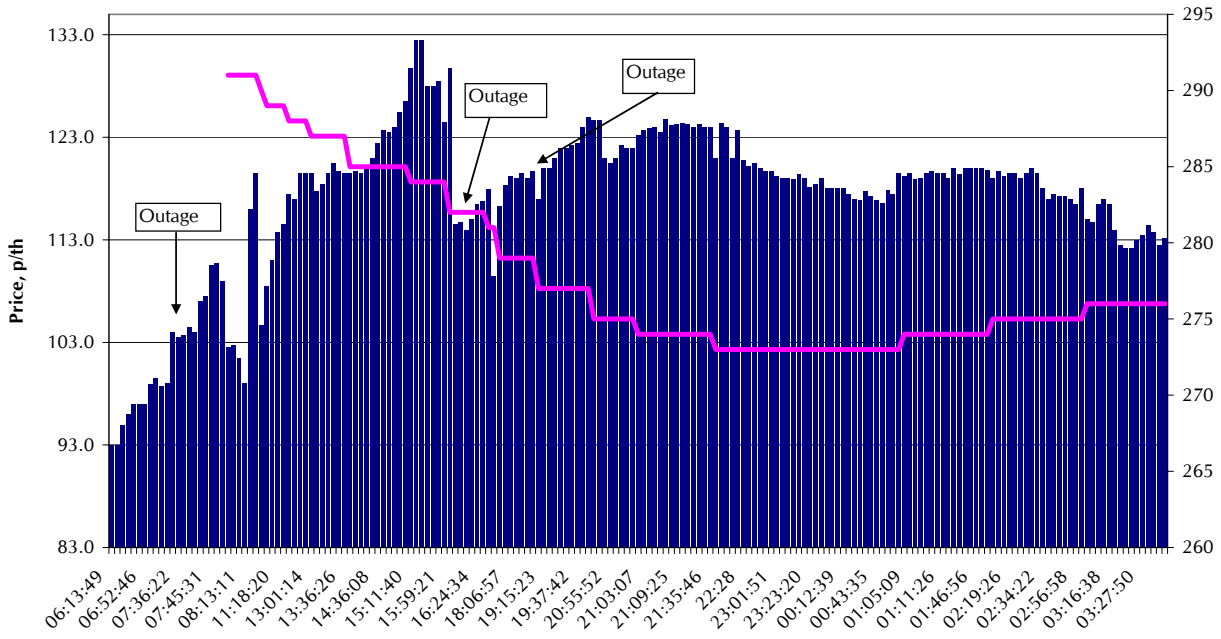

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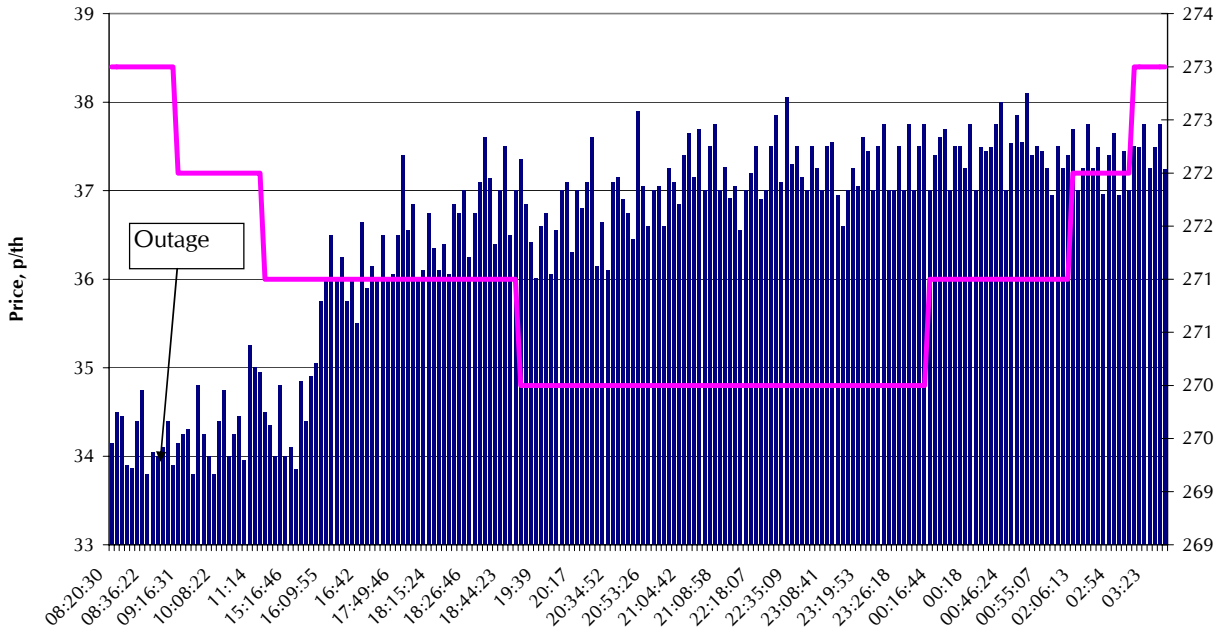

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Ofgem considers that in Examples 1 and 2 above it could be the case that given there is a delay of 2 days before discernable information becomes available regarding sub-terminal flows, market participants only have a limited opportunity to trade and effectively manage their position using line pack data and information made available as part of the DTI information initiative. In these examples large users may therefore be exposed to being out of balance and risk uncertain balancing charges.

Ofgem considers that with the new information available, large users would be given the opportunity to enter the market and buy/sell or switch to other energy sources in order to manage their position with more certainty. This might lead to the market remaining in balance more often without intervention from NGG NTS and may therefore lead to a more efficient overall outcome. Similarly more detailed real time information may encourage greater participation in the on the day market.

With respect to the above examples, Ofgem is seeking a response from you, as a representative of large gas users, regarding the way in which the availability of near to real time sub-terminal flow information may have impacted upon the behaviour of your members or the costs that they may have incurred. In particular, we would like to hear your views regarding:

14) How your members may have behaved in the above examples, with current information. In particular, how they may have reacted to the drop in line pack and its coincidence with an increase in the price of gas.

15) How the behaviour of your members may have changed in the examples outlined above if near to real time sub-terminal flow data was available?
16) What benefits you would envisage that your members may achieve as a result of the release of near to real time sub-terminal data in the examples above?
17) What costs you would envisage that you members may incur as a result of the release of near to real time sub-terminal data in examples 1 and 2 above?

To ensure that information is received in time to inform the analysis carried out as part of the IA, Ofgem would appreciate a response regarding this issue by **16 January 2005**.

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Yours sincerely

By email.

Hannah Cook
Wholesale Markets