

Hannah Cook
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Dear Hannah

UNC Modification Proposal 006 – Ofgem Case Study

Thank you for your letter of 10 January 2006.

As we have previously set out in our responses to this and other modification proposals, EDFT supports any initiatives that enhance market transparency and improve market functioning. In the case of UNC Modification Proposal 006, the provision of offshore flow information will go far in opening up the supply side of the UK gas industry.

Having carefully considered the issues and examples you raise, we are unfortunately unable to provide detailed comments. We do not consider that it is possible or helpful to hypothesise on how we may or may not have responded to particular incidents in the past without having a greater appreciation of all of the other events and factors which inevitably impact the market and subsequent trading strategies.

We understand the attempts to more precisely quantify the potential impacts of Modification proposal 006, but do not consider that the impact of sub-terminal information can be examined in isolation. A case may also potentially pose more questions than it answers, risk being subjective or risk playing into the hands of the detractors of Modification Proposal 006.

Nevertheless, the information provided in Modification proposal 006 would in our view allow EDFT and other downstream players to better understand the dynamics of the within day market in general. EDFT believes that more frequent updates of offshore flow information at the individual terminals would reduce the amount of uncertainty in the market about the extent or severity of an offshore outage. Therefore, response times for bringing online supplies of gas from other sources would be shortened, and the corresponding price volatility observed in the market would be expected to be lower. EDFT suggests that this would in turn generate greater market confidence, remove barriers to entry and consequently also support liquidity.

We continue to support the implementation of Modification Proposal 006 and believe the analysis provided to date by Energywatch and Ofgem is sufficient to justify implementation.

Please do not hesitate to get in touch if you have any further questions.

Yours sincerely

Jonas Törnquist
Head of Transmission and Regulation