

CODE MODIFICATION PROPOSAL No. 0104

"3rd Party Proposal: Storage Information at LNG Importation Facilities"
Version 1.0

Date: 08/08/2006

Proposed Implementation Date: 03/10/2006

Urgency: Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

We recommend that this Proposal is given Urgent status in accordance with the following timetable:

Submit proposal to Ofgem for decision on urgency:	08/08/06
Ofgem grant Urgent status:	09/08/06
Proposal issued for consultation (15 business days):	10/08/06
Close-out for representations:	31/08/06
Final Modification Report to Panel:	07/09/06
Modification Panel recommendation:	21/09/06
Ofgem decision expected week commencing:	25/09/06
Implementation date (subject to Ofgem's decision):	03/10/06

Urgent status is required so that this Proposal is implemented as early as possible to provide market participants with access to the benefits of fuller market information prior to winter 2006/07 in anticipation of tight supply/demand conditions. Otherwise there would be a significant commercial impact both on market participants and on the safety and security of the network.

Nature and Purpose of Proposal (including consequence of non implementation)

This proposal seeks publication, on National Grid's website by 16:00 each day, of the aggregate physical gas-in-storage levels (in kWh) allocated to LNG Importation Users at LNG Importation Facilities. This information could be published through a workaround until an enduring system solution is developed.

It is very important that this data is published to the wider market, as improvements in transparency will assist in a number of ways, specifically, by allowing market participants to make more appropriate purchasing decisions based on fuller market information; by facilitating improvements in security of supply; and as a result of these outcomes, reducing the ultimate cost of gas to all consumers.

Information is vital for the effective functioning of an open and competitive market given the potential for continuing tight supply/demand conditions this coming winter. Consumers will also want to be as aware as possible of market conditions to determine if they can or wish to sell back gas/interrupt as part of demand side response, thereby enhancing security of supply.

One such LNG Importation Facility, Isle of Grain (IoG), while being an import terminal can also be considered to be a significant storage facility (with an effective capacity of 4.4bcm/year, it represents 53% of the UK's storage capacity when including IoG capacity, or 94% of the UK's LNG storage capacity when including IoG capacity. IoG has a significant (and unique) role, with the capability to supply 4% of UK demand). IoG, therefore, has strategic importance in the market just as LNG has an important role in the UK's gas supply. The asymmetric nature of the data made available from LNG Importation Facilities means that market transparency is clouded. They should therefore, seek to meet the minimum requirements of the Guidelines for Good Practice for System Storage Operators for information provision (which includes published numerical data on gas in store).

Furthermore, in approving energywatch's modification proposal UNC006, the Authority stated that "In order for the market to operate efficiently, it is important that the arrangements in place are as transparent as possible. At the moment, some parties (notably producers) have access to information, which other parties (notably downstream suppliers, traders and customers) do not have. By allowing all parties access to near to real time sub-terminal information this should permit the market to operate more efficiently." (page 8). The provision of storage information at LNG Importation Facilities is no different in this respect and should improve transparency in the market, as supported by the Authority in the Proposal 006 decision.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

Implementation of this proposal would better facilitate the following relevant objectives:

A11.1 (a) the efficient and economic operation of the pipeline system, through providing shippers with the appropriate level of information to enable them to better forecast demand and thus make the appropriate trading decisions to balance their portfolio, with associated physical actions, resulting in improved balance of the system as a whole.

A11.1 (c) the efficient discharge of the licensee's obligations under their licence, with respect to security of supply through assisting shippers in better forecasting demand, enabling them to make more efficient purchasing decisions, consequently reducing price volatility and facilitating security of supply.

A11.1 (d) the securing of effective competition (i) between relevant shippers and (ii) between relevant suppliers, though providing a level playing field where all shipper / suppliers have the same information available to them, provided through an established, consistent and transparent basis.

**Any further information (Optional), likely impact on systems, processes or procedures,
Proposer's view on implementation timescales and suggested text**

The proposal should be implemented as soon as feasibly possible, and preferably in accordance with the above proposed timetable. This would assist in maximising its impact prior to winter 2006/07.

Code Concerned, sections and paragraphs

Transportation Principal Document
Section V Annex V1 "Table of Market Data"

Proposer's Representative

Jeremy Nicholson (Energy Intensive Users Group)

Proposer

Carole Pitkeathley (Energywatch)

Signature

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