



The Joint Office, Relevant Gas Transporters and other interested parties

Promoting choice and value for all customers

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Dear Colleague

### **Uniform Network Code (UNC) Modification Proposal 0104 "3rd Party Proposal: Storage Information at LNG Importation Facilities"**

UNC Modification Proposal 0104 (the proposal) was raised by energywatch in August 2006. It seeks the daily publication on National Grid Gas NTS's (NGG NTS) website, at 16:00 each day, of the aggregate physical LNG in store at LNG importation facilities for 05:59 on the previous gas day. The proposal contained a request for urgent status, which was rejected, and was subsequently the subject of an Impact Assessment (the IA) published in March 2007<sup>1</sup>.

Having considered the responses to the IA we believe that it is necessary to clarify certain issues relating to the proposal. These issues are as follows and are dealt with in turn:

- Two issues regarding the intent of the proposal: the timing of the release of information, and the aggregation of the released information; and
- The scope of the UNC with regard to this proposal.

#### **Intent of the proposal**

##### *The timing of the release of information*

The legal drafting associated with the proposed modification is as follows:

| <b>Data</b>   | <b>Timing</b>              | <b>Format</b> | <b>Presentation</b> | <b>Disclosure</b> |
|---|----------------------------|---------------|---------------------|-------------------|
| The aggregate physical LNG in store (in kWh) at LNG Importation Facilities at 05:59 hours on the Preceding Gas Flow Day | By 16:00 hours on each Day | Tabular       | Viewable            | Public            |

Some respondents to the IA expressed the view that publishing on a D+1 basis reduced potential concerns as to any risk there may be regarding the sensitivity of the information to be published. However, it appears that some respondents assumed there would be a 34 hour and 1 minute lag before publication. For the avoidance of doubt, the above legal

<sup>1</sup> 3<sup>rd</sup> Party Proposal: Storage Information at LNG Importation Facilities. Modification Reference Number UNC 104. Ofgem Impact Assessment ref 38/07. 1<sup>st</sup> March 2007. [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

drafting would result in the submission of aggregate LNG importation facility stocks at 05:59 daily to NGG NTS for publication 10 hours and 1 minute later at 16:00 on the following gas day (i.e. the same calendar day). Ofgem is therefore seeking clarification as to whether a 10 hour and 1 minute lag would alter the views set out in responses to the IA. If views remain unchanged (either because your response to the IA was on the basis of a 10 hour and 1 minute lag or because such a lag does not alter your views) we do not require you to comment any further on this issue.

### *The aggregation of the released information*

The second point of clarification regarding the intent of the proposal relates to the interpretation of the word “aggregate” in the above legal text.

In the IA we asked (Question 12) whether respondents considered that if the proposal were implemented prior to more than one LNG importation facility being operational this would be inconsistent with the intent of the proposal to publish aggregate stock information. We raised this question purely in terms of the intent of the proposal, rather than in terms of any risk to market participants’ commercial sensitivity. From the legal text set out above Ofgem does not currently consider that the intent of the proposal is to delay implementation until further LNG importation facilities have begun operation, but we are keen to ascertain whether interested parties agree with this view.

In the debate so far this issue appears to have been confused with the discussion on any exposure of the joint shipper at Grain’s commercial position. The IA did also consider any costs the joint shipper at Grain may face associated with the possible exposure of its commercial position if the proposal were to be implemented prior to a second LNG importation terminal coming on line. Ofgem’s view was, and at present remains, that since a large volume of data is already available to the market, the joint shipper’s commercial position would not be exposed significantly more than it is already. However, the benefits of greater market transparency would be significant. We requested views on our assessment of confidentiality and commercial sensitivities associated with the proposal (Questions 10 and 11).

Ofgem would welcome any further views on these two separate issues.

### **The scope of the UNC with regard to this proposal**

On the 7 September 2006 Ofgem issued a letter<sup>2</sup> regarding the Authority’s initial view on the UNC Modification Proposal 104 and the scope of the UNC. Our view remains unchanged, that the proposal is within scope of the UNC.

Standard Special Condition A11<sup>3</sup> of NGG NTS’s gas transporters licence requires that it must establish “transportation arrangements” pursuant to the UNC which facilitate the efficient and economic operation of the NTS.<sup>4</sup> The UNC sets out the terms of “transportation arrangements” established by NGG NTS and other relevant gas transporters to the extent that such terms are common, or are not in conflict, between relevant gas transporters.<sup>5</sup>

Standard Special Condition A3(1) defines “transportation arrangements”. This term means arrangements whereby gas shippers and transporters may have gas introduced into, conveyed by means of and taken out of the NTS.

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<sup>2</sup> [http://www.gasgovernance.com/NR/rdonlyres/6D2EE182-D448-4797-9455-31346E8C7332/10297/UNC104\\_Scope.pdf](http://www.gasgovernance.com/NR/rdonlyres/6D2EE182-D448-4797-9455-31346E8C7332/10297/UNC104_Scope.pdf)

<sup>3</sup> Standard Special Condition A11 “Network Code and Uniform Network Code”.

<sup>4</sup> Standard Special Condition A11(1).

<sup>5</sup> Standard Special Condition A11(6).

Ofgem is therefore of the view that arrangements in relation to the gas in store (which may be introduced into the NTS) at LNG importation facilities constitute part of the transportation arrangements of the GB gas system and are within the scope of the UNC.

For illustrative purposes, our letter of 7 September pointed to the fact that NGG NTS has an obligation to maintain the NTS within safe operating limits. NGG NTS can meet this obligation through the use of operating margins (OM) gas as and when it considers this to be necessary; and, for example, NGG NTS contracts with National Grid Grain for such OM gas. In this way, information in relation to storage stock levels at LNG importation facilities is required in order to ensure the safe, economic and efficient operation of the NTS.

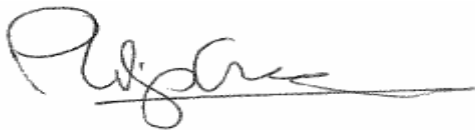
This is one example only of the way in which information in relation to gas in store at LNG importation facilities falls within the remit of the UNC.

### **Views invited**

In the case that clarification of these points has altered your evaluation of the impact of the proposal we would be pleased to receive responses to the issues raised in this letter from interested parties by 1<sup>st</sup> June 2007. Please send your responses to [gb.markets@ofgem.gov.uk](mailto:gb.markets@ofgem.gov.uk), for the attention of Emma King. If however, your views are unchanged from your response to the IA, please do not feel obliged to respond to this letter, responses to the IA will be taken into account in our final decision.

If you have any further queries about the issues raised in this letter, please contact Emma King on 020 7901 7018.

Yours sincerely



**Philip Davies**  
**Director, GB Markets**