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Dear Colleague

Authority's approval of "relevant points" of a transmission system for the purposes of Article 6(4) Gas Regulation (EC) No 1775/2005

On 26th July 2010 Ofgem issued a consultation¹ on what points should be considered as "relevant points" of a transmission system for the purposes of Article 6 (4) of Gas Regulation (EC) No 1775/2005 (the Second Package Regulation). This provision requires the competent authorities to approve, after consultation with network users, the relevant points of a transmission system on which certain information must be made public. This consultation ended on the 23rd August, and the Authority sets out its approval decision in this letter.

Background

Paragraph 3.2 of the Guidelines in the Annex of the Second Package Regulation defines "relevant points" for transparency requirements as including at least:

- (a) all entry points to a network operated by a transmission system operator;*
- (b) the most important exit points and exit zones covering at least 50 % of total exit capacity of the network of a given transmission system operator, including all exit points or exit zones covering more than 2 % of total exit capacity of the network;*
- (c) all points connecting different networks of transmission system operators;*
- (d) all points connecting the network of a transmission system operator with an LNG terminal;*
- (e) all essential points within the network of a given transmission system operator including points connecting to gas hubs. All points are considered essential which, based on experience, are likely to experience physical congestion;*

¹ Consultation on "relevant points" of a transmission system for the purposes of Article 6(4) Gas Regulation (EC) No 1775/2005
(http://www.ofgem.gov.uk/Networks/Trans/GasTransPolicy/Documents1/consultation_on_relevant_points_Final_260710.pdf)

(f) all points connecting the network of a given transmission system operator to infrastructure necessary for providing ancillary services as defined by Article 2(14) of Directive 2003/55/EC.²

The proposal

Ofgem proposed that all the points listed in Annex 1 of its consultation be defined as relevant points for the purposes of Article 6 (4) of the Second Package Regulation. Annex 1 was based on an amalgamation of all the entry and exit points listed in the National Grid Gas (NGG) transporter licence³.

Responses

Responses were received from NGG, EDF, British Gas Trading (BGT), E.ON and the Association of Electricity Producers (AEP).

NGG supported the proposal to include all the entry and exit points listed in Annex A of Special Condition C8D and Annex A of Special Condition C8E of the Licence as relevant points for the purpose of publication of capacity information. However, NGG argued that the list of relevant points should be exactly the same as the Annexes in the Licence. As such, they highlighted what they perceived as inconsistencies between the list of points being consulted on and those in the Licence. Subsequently, NGG has confirmed this is no longer an issue and said it believes it is simpler for the entry and exit points to remain listed together.

EDF also supported all National Transmission System (NTS) Exit Points listed in NGG NTS' Licence being designated as relevant points. EDF noted the information specified by the Second Package Regulation was already being published by NGG for all NTS exit points and did not believe there will be any detrimental impact on shippers or customers by classifying all NTS exit points as relevant points. EDF also believed that the onus should be placed on those who may claim commercial disadvantage (from the publication of information at certain points) to demonstrate that this might be the case, and that serious attention needs to be given to the delivery of the required information.

BGT recommended that the starting point for identifying the relevant points should be NGG's statement of gas transmission charges, where categorisation of system points is outlined. While it did not believe less information should be provided as a result of identifying the relevant points, BGT argued that the identification of relevant points should be based on the EU Guidelines only and not on any existing information provision which might provide more detail (e.g. entry sub-terminals should not be regarded as relevant points but Aggregate System Entry Points should).

BGT proposed that relevant points should include:

- Aggregate System Entry Points because they relate to system entry points and are treated as single entry points for various requirements set out in the Uniform Network Code.
- NTS/LDZ Offtakes as they fall into the category of "most important exit points" and are most likely to cover more than 50% of total exit capacity.
- Possibly interconnector points
- LNG facilities
- With respect to storage facilities, BGT said it was unclear what a storage point was given the list of possible relevant points appended to the consultation included separate entry and exit points for storage.

² "Ancillary services" are defined as "all services necessary for access to and the operation of transmission and/or distribution networks and/or LNG facilities and/or storage facilities including load balancing and blending, but excluding facilities reserved exclusively for transmission system operators carrying out their functions;"

³ Annex A of Special Condition C8E outlines the exit points. Annex A of Special Condition C8D outlines the entry points.

E-ON asked how storage facilities with TPA exemptions will be treated, suggesting there could be an argument that if they are not economically and/or technically necessary for providing efficient access to the system then they should not be considered relevant points.

Direct offtakes

While there was no objection to information being published in an aggregate manner to ensure the market knows the overall supply and demand picture, BGT, AEP and E-ON all argued that to protect commercial confidentiality, offtakes serving individual customers should not be considered as relevant points.

E-ON also raised commercial confidentiality concerns with respect to Connected System Exit Points (CSEPs) where there is a dominant gas consumer connected at the same exit point as some smaller customers. E-ON would like those points where a single customer accounts for 50% or more of the flow to be treated as if it were an exit point serving a single final customer.

Furthermore BGT did not believe that NTS or directly connected sites should be regarded as relevant points under the guidelines.

AEP noted that some of the information requirements are already published at individual offtake level such as capacity and ex-post demand information, so this would not change irrespective of the points which are defined as being relevant points. Publication of this information has been progressed via UNC modification proposals and AEP considered this is an appropriate process of considering data publication that goes beyond EU requirements.

Future consultation on relevant points following amendment of Annex of Guidelines.

AEP considered that a consistent approach should be adopted in considering this consultation and the future consultation on the amended guidelines. AEP said a situation where the list of relevant points changed between now and March 2011 when Regulation 715/2009 (the Third Package Regulation) comes into force had to be avoided, given the cost of NG having to make two sets of changes to its systems to ensure compliance in such a short time. EDF also expressed concern about the risks and cost developing systems to support one definition which may be subsequently changed and hence suggested that Ofgem should consult as soon as possible on the amended Guidelines.

Speaking about the proposed changes to the Annex 3 Guidelines, E-ON supported the proposal for entry points which serve a single producer to not be defined as relevant points. AEP also supported the principle of the publication of aggregate information where individual offtake information is not published under the amended guidelines.

Requirement to publish technical capacity data.

AEP also argued that National Grid is not complying fully with the requirements of the Second Package Regulation, arguing that NGG does not publish technical capacity data, sighting an alleged recent example in the north east. It said it was important for the market to know where spare capacity is available for making decisions for positioning Combined Cycle Gas Turbine (CCGT) plants. BGT also argued that the lack of information on the technical capacity of the NTS made it difficult for them to assess the 50% and 2% rules for exit points under 3.2(b) of the Guidelines.

Authority's approval decision

The Authority has considered and taken into account the responses to the consultation. The Authority has concluded that all the points listed in Annex 1 of this letter should be approved as "relevant points" for the purposes of Article 6 (4) of the Second Package Regulation.

We would stress that these “relevant points” have been approved for the particular requirements of the Second Package Regulation and this approval decision does not fetter Ofgem’s right to make a different decision on what constitutes a relevant point in the future based on the particular legislative framework in force at that time.

Reasons for the Authority’s approval decision

Transparency is an essential requirement for the functioning of an effective market. Given the importance of transparency, the Authority is concerned that a narrower list of “relevant points” will lead to less information being published than already has been agreed by the industry. This would be a backward step. Moreover, we do not believe defining all points as “relevant points” for the particular purposes of Article 6(4) of the Second Package Regulation will have any detrimental impact on shippers or customers in terms of commercial confidentiality; Ofgem notes that the information required under Annex 1 of the Second Package Regulation is already published for all entry and exit points, having been agreed through the Uniform Network Code. This includes all storage facilities capable of flowing more than 10 MSCM per day of gas into the system.⁴

We recognise however that Chapter 3 of the Guidelines in the Annex of the Third Package Regulation has been recently amended, with formal European adoption this month. Under the amended paragraph 3.2, the new guidelines will require implementation of a number of enhanced information requirements, which will include publication of certain information on a disaggregated basis and Ofgem has noted concerns about commercially sensitive information being published in this respect. We also note that the amendment to the definition of relevant points under 3.2(2) allows exceptions for exit points connected to a single final customer and entry points linked directly to a production facility of a single producer that is located within the EU. Ofgem will re-consult on the relevant points under these new requirements soon.

Some respondents were concerned that the approval of the complete list of entry and exit points as relevant points could lead to the inappropriate release of data through NGG’s Market Information Provision (MIPI⁵) initiative. However, at the transmission work stream of 7 October 2010, NGG confirmed that they would just publish aggregate information for NTS directly connected points until our consultation on the relevant points for the purposes of the Third Package Regulation is completed and an approval decision has been made. Further, they confirmed that the functionality exists within their current system to amend the categorisation of individual points, such that costly system changes will not be required as a result of any subsequent changes to the designations of individual entry or exit points. We welcome NGG’s confirmation in this regard; for the avoidance of doubt it is Ofgem’s view that this approval decision of the relevant points for the purposes of the Second Package Regulation should not be taken as the approval of relevant points for the purposes of the Third Package Regulation nor the MIPI initiative.

With respect to some concerns expressed by respondents about the perceived lack of compliance with the requirement to publish technical capacity data, Ofgem notes that National Grid Gas publishes data on baseline capacities. We will continue to discuss the issue with NGG to determine how it could further enhance transparency on technical capacity under the new Chapter 3 Guidelines.

⁴ In any event, it should also be noted that pursuant to Article 30(b) of the Third Package Regulation, Article 19(4) of the Third Package Regulation which refers to transparency requirements for LNG and Storage facilities, does apply to “exempt” storage facilities.

⁵ Further information can be found at: <http://www.nationalgrid.com/uk/Gas/Data/>

If you have any comments or questions on this letter, please contact Paul O' Donovan on +44 20 7901 7414 or e-mail gas.transmissionresponse@ofgem.gov.uk in the first instance.

Yours Sincerely

Martin Crouch
Partner, European Strategy

Annex 1: Relevant Points

Aberdeen
Abernedd Power Station
Abson (Seabank Power Station phase I)
Albury
Alrewas (EM)
Alrewas (WM)
Armadale
Aspley
Asselby
Audley (NW)
Audley (WM)
Austrey
Avonmouth
Avonmouth Max Refill
Aylesbeare
Bacton
Bacton (Baird)
Bacton (BBL)
Bacton (Great Yarmouth)
Bacton (IUK)
Baldersby
Balgray
Barking (Horndon)
Barrow
Barrow (Bains)
Barrow (Black Start)
Barrow (Gateway)
Barton Stacey
Barton Stacey Max Refill (Humbly Grove)
Bathgate
Billingham ICI (Terra Billingham)
Bishop Auckland
Bishop Auckland (test facility)
Blaby
Blackness (BP Grangemouth)
Blackrod
Blyborough
Blyborough (Brigg)
Blyborough (Cottam)
Braishfield A
Braishfield B
Brine Field (Teesside) Power Station
Brisley
Broxburn
Burley Bank
Burnhervie

Burton Point
Burton Point (Connahs Quay)
Caldecott
Caldecott (Corby Power Station)
Cambridge
Careston
Carrington (Partington) Power Station
Caythorpe
Centrax Industrial
Cheshire
Cirencester
Coffinswell
Coldstream
Corbridge
Coryton 2 (Thames Haven) Power Station
Cowpen Bewley
Crawley Down
Deeside
Didcot A
Didcot B
Dowlais
Drakelow Power Station
Drointon
Drum
Dyffryn Clydach
Dynevor Arms
Dynevor Max Refill
Easington
Eastoft (Keadby Blackstart)
Eastoft (Keadby)
Easton Grey
Ecclestone
Elton
Enron Billingham
Epping Green (Enfield Energy, aka Brimsdown)
Evesham
Farningham
Farningham B
Ferny Knoll (AM Paper)
Fiddington
Fleetwood
Ganstead
Garton
Garton Max Refill (Aldbrough)
Gilwern
Glenmavis
Glenmavis Max Refill
Goole (Guardian Glass)
Gosberton

Gowkhall (Longannet)
Grain Power Station
Great Wilbraham
Guyzance
Hardwick
Harwarden (Shotton, aka Shotton Paper)
Hatfield Moor Max Refill
Hatfield Moor (On shore)
Hatfield Moor (Storage)
Hatfield Power Station
Hole House Farm
Hole House Max Refill
Holford
Hollingsgreen (Hays Chemicals)
Holmes Chapel
Horndon
Hornsea
Hornsea Max Refill
Humbleton
Hume
Ilchester
Ipsden
Ipsden 2
Isle of Grain
Keld
Kenn
Kinknockie
Kirkstead
Langage Power Station
Langholm
Lauderhill
Leamington
Little Burdon
Littleton Drew
Lockerbie
Lower Quinton
Lupton
Luxborough Lane
Lyneham (Choakford)
Maelor
Malpas
Mappowder
Marchwood Power Station
Market Harborough
Matching Green
Medway (aka Isle of Grain Power Station, NOT Grain Power)
Melkinthorpe
Mickle Trafford

Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)
Milford Haven
Milwich
Moffat (Irish Interconnector)
Netherhowcleugh
Pannal
Partington
Partington Max Refill
Paul
Palmers Wood
Pembroke Power Station
Peterborough (Peterborough Power Station)
Peterborough Eye (Tee)
Peters Green
Peters Green South Mimms
Phillips Petroleum, Teeside
Pickering
Pickmere (Winnington Power, aka Brunner Mond)
Pitcairngreen
Pucklechurch
Rawcliffe
Roosecote Power Station (Barrow)
Rosehill (Saltend Power Station)
Ross (SW)
Ross (WM)
Roudham Heath
Rough Max Refill
Royston
Rugby
Ryehouse
Saddle Bow (Kings Lynn)
Saltend BPHP (BP Saltend HP)
Saltwick Pressure Controlled
Saltwick Volumetric Controlled
Samlesbury
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)
Seabank (DN)
Seabank (Seabank Power Station phase II)
Sellafield Power Station
Shellstar (aka Kemira, not Kemira CHP)
Shorne
Shotwick (Bridgewater Paper)
Shustoke
Silk Willoughby
Soutra
Spalding 2 (South Holland) Power Station
St Fergus
St. Fergus (Peterhead)

St. Neots (Little Barford)
St.Fergus (Shell Blackstart)
Stallingborough (phase 1)
Stallingborough (phase 2)
Stanford Le Hope (Coryton)
Staythorpe PH1
Staythorpe PH2
Stranraer
Stratford-upon-Avon
Stublach (Cheshire)
Sutton Bridge
Sutton Bridge Power Station
Tatsfield
Teesside
Teesside (BASF, aka BASF Teesside)
Teesside Hydrogen
Terra Nitrogen (aka ICI, Terra Severnside)
Theddlethorpe
Thornton Curtis (DN)
Thornton Curtis (Humber Refinery, aka Immingham)
Thornton Curtis (Killingholme)
Thrintoft
Tonna (Baglan Bay)
Towlaw
Towton
Tur Langton
Upper Neeston (Milford Haven Refinery)
Walesby
Warburton
West Burton Power Station
West Winch
Weston Point
Weston Point (Castner Kelner, aka ICI Runcorn)
Weston Point (Rocksavage)
Wetheral
Whitwell
Winkfield
Winkfield (NT)
Winkfield (SE)
Winkfield (SO)
Wragg Marsh (Spalding)
Wyre Power Station
Wytch Farm
Yelverton
Zeneca (ICI Avecia, aka 'Zenica')

Please note: Some relevant points, particularly those associated with storage facilities, have multiple listings. This is to reflect the differing nature of the data release requirements for the entry and exit functions of these types of facility.