

For the attention of all licenced gas shippers

06 September 2019

Notice requiring the production of specified information under Section 34A of the Gas Act 1986 (the Gas Act) in relation to long term contracts

Dear Sir/Madam,

We are writing to ask you for information about your gas supply contracts to Great Britain. We need this information to monitor the wholesale market and appreciate your prompt response to enable us to report accurate information to the market.

The information that we need includes

- a) all gas supply contracts for the import of gas to Great Britain (GB), with a cross-border dimension and a duration of more than one year which it has concluded to procure gas; and
- b) contracts that have been modified or concluded on or after 1 November 2017 that individually or collectively with their other contracts from the same supplier (or affiliates) is equivalent to 28% or more of yearly gas consumption in the UK.

Similar requests for such information were made by Ofgem in 2011, 2012, 2013, 2014, 2015, 2017 and 2018. Please respond no later than **5pm on 2 November 2019**.

This letter accompanies a formal Notice under Section 34A of the Gas Act requiring holders of gas shipper licence to produce the information specified in the Notice.

Background

Ofgem is the Office of Gas and Electricity Markets¹. We are a non-ministerial government department and an independent National Regulatory Authority in UK, recognised by EU Directives. Our principal objective when carrying out our functions is to protect the interests of existing and future electricity and gas consumers. We work effectively with, but are independent of, government, the energy industry and other stakeholders within a legal framework determined by the UK government and the European Union.

The Notice attached to this letter is served in exercise of the Authority's power to request information from regulated persons in relation to specified activities.

¹ The terms "the Authority", "Ofgem" and "we" are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

The Notice sets out the relevant sections of the relevant legislation in detail. In August 2011, December 2012, November 2013, October 2014, November 2015, October 2017 and October 2018, Ofgem asked gas undertakings to provide information on long-term gas contracts using its power to request information from regulated persons in relation to specified activities. Ofgem requested the information in order to monitor compliance with security of supply and reliability rules.

Confidentiality, disclosure and publication

Any information provided to Ofgem which relates to the affairs of an individual or a particular business will be subject to statutory restrictions on disclosure under Section 105 of the Utilities Act 2000. However, you should note that there are exceptions to the statutory restrictions, including where the disclosure is necessary to facilitate the performance of statutory functions of Ofgem (e.g. publishing information to promote the interests of consumers) or other public bodies.

You should note that Ofgem cannot provide any assurances in relation to the treatment of information which may be the subject of a request made under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. However, we can confirm that Ofgem will always consider whether the statutory restrictions on disclosure apply to the requested information and therefore whether one or more of the exemptions or exclusions under the relevant legislation apply.

Before deciding whether to publish any information relating to the affairs of a particular licence holder or business, Ofgem is required to consider whether it is appropriate to redact any information on the basis that the information would or might, in our opinion, seriously and prejudicially harm the interest of that person ("confidential information").

The information collected in past years was aggregated and shared with government and we will do so again. The information provided in response to this notice fulfills our obligations under Article 14(b) of Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply. As in 2018, we will publish the information on our website as part of our wholesale market indicators². It is in an aggregated form to protect confidential information.

We do this to aid market transparency and provide information on security of supply. We intend to use the information provided in response to this request to update the information we publish on aggregated gas long-term contract import-volumes. **Please confirm if you do not consent to this.**

To help us conduct this assessment please indicate in your response whether you consider any information to be confidential information and provide brief reasons why.

Where appropriate, we may seek further representations from relevant persons at a later stage in respect of any specific information Ofgem is proposing to publish.

Your response

The information specified in the Notice and its appendices must be sent to Ofgem at wholesale.markets@ofgem.gov.uk **by no later than 5pm on 2 November 2019**. This information must be provided in an appropriate electronic form, based on the format set out in Appendix 1 to the Notice. If you currently do not have any long-term gas contracts, please still respond to this request confirming that this is the case.

We have issued separate Notices to each relevant company, which holds a shipper licence. Where a licensee is part of a corporate group with multiple licensees, we are happy to receive one consolidated reply (containing separate electronic forms for each licensee) on

² <https://www.ofgem.gov.uk/monitoring-market/wholesale-market-indicators>

behalf of all the applicable licensees. We would be grateful if you could ensure a copy of this letter reaches the relevant contact within your organisation.

If you have any questions concerning this Notice please contact Alban Asllani (alban.asllani@ofgem.gov.uk or 0207 901 3073).

Yours faithfully,

A handwritten signature in black ink that reads "Nathan Macwhinnie". The signature is written in a cursive style with a large initial 'N'.

Nathan Macwhinnie

Head of Market Intelligence and Oversight, Consumers & Markets

NOTICE
Request for information pursuant to Section 34A of the Gas Act 1986

For the attention of all licenced gas shippers

Whereas:

1. The licensee ("the licensee") is the holder of a gas shipper licence granted or treated as granted under section 7A(2) of the Gas Act 1986 (the "Act") and therefore a regulated person for the purposes of the Act.

2. In accordance with section 34A(1) of the Act, the Gas and Electricity Markets Authority ("the Authority") is performing its duty under section 34 of the Act:

(a) to keep under review the carrying on both in Great Britain and elsewhere of activities connected to the supply of gas, including the following matters specified in Article 41(1)(h) of the Gas Directive³:

"monitoring compliance with and reviewing the past performance of network security and reliability rules and setting or approving standards and requirements for quality of service and supply or contributing thereto together with other competent authorities;" [security means both security of supply of natural gas and technical safety];" and

(b) to collect information with respect to the activities and matters mentioned in (a), and the persons by whom they are carried on, with a view to facilitating the exercise of the Authority's functions.

Now therefore:

3. Pursuant to section 34A(2) of the Act, the Authority hereby requires the licensee to provide to the Authority all the information which is specified or described in the appendices attached to this Notice.

4. The information specified or described in Appendix 1 attached to this Notice must be delivered in the specified electronic format (please see the appendices to this Notice for more information) to Ofgem at wholesale.markets@ofgem.gov.uk **no later than 5pm on 2 November 2019.**

Signed



Nathan Macwhinnie

Head of Market Intelligence and Oversight, Consumers & Markets

Dated: 02 September 2019

Failure to comply with the terms of this Notice may constitute a breach of a relevant requirement and may therefore lead to enforcement action being taken by the Authority pursuant to Section 28 of the Gas Act.

The alteration, suppression or destruction of documents or records requested in this Notice may lead to criminal action under Section 34A(5) of the Gas Act. The provision of false information may also lead to criminal action under Section 43 of the Gas Act.

³ Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

Appendix 1 - Request for information pursuant to Section 34A of the Gas Act 1986

Information requested in respect of long term contracts

We require the licensee to provide details of a) all gas supply contracts, for the import of gas to Great Britain (GB), with a cross-border dimension and a duration of more than one year which it has concluded to procure gas; and b) contracts that have been modified or concluded on or after 1 November 2017 that individually or collectively with their other contracts from the same supplier (or affiliates) is equivalent to 28% or more of yearly gas consumption in the UK to be calculated on the basis of the most recent available data⁴. In particular, the licensee shall notify:

- (i) contract duration;
- (ii) yearly contracted volumes;
- (iii) contracted maximum daily volumes in the event of an alert or emergency;
- (iv) contracted delivery points;
- (v) minimum daily and monthly gas volumes;
- (vi) conditions for the suspension of gas deliveries;
- (vii) an indication whether the contract individually or cumulatively with its contracts with the same supplier or its affiliates is equivalent to or exceeds the threshold of 28 % of yearly gas consumption in the UK; and
- (viii) if the contract has been modified or concluded on or after 1 November 2017.

Volumes should be reported in millions of cubic meters (mcm). When volumes are converted from another unit to mcm; conversion factors used should be provided. It should be clearly stated whether the contract is with a supplier based in a European Economic Area (EEA) country or a non-EEA country⁵. The following template should be used for each contract and all notifications should be made electronically:

Long run contracts template

Contract 1 (Example)					
Duration	2012-2021				
Contracted volume in total (in mcm)	1000				
	2017	2018	2019	2020	2021
Contracted volume per gas year (in mcm)	200	300	200	200	100
Contracted maximum daily volumes (in mcm)	6				
Contracted delivery points	Bacton				
Contracted minimum daily volumes (in mcm)	4				
Contracted minimum monthly volumes (in mcm)	4				
Country of origin of gas supply	Netherlands				
EEA country/ non-EEA country	EEA country				
Name of the supplier	Company ZZ				
Conditions for the suspension of gas deliveries					
Date the contract was modified or concluded	1 January 2012				

We intend to publish information we receive in response to this request in an aggregated form to protect confidential information. Please confirm whether you consent to this.

The licensee must continue to notify the Authority of the above details in respect of all new import contracts and in the event of changes to existing contracts, which the licensee enters into after the submission deadline. The template above should be used for each update.

The information requested must be provided in accordance with the explanatory notes set out in Appendix 2 attached to the Notice.

⁴ Total annual demand in 2018 was 80,022 mcm, which leads to a 28% threshold of 22,406 mcm. This has been calculated using DUKES (Digest of UK Energy Statistics) data available at: <https://www.gov.uk/government/statistics/gas-section-4-energy-trends>.

⁵ "European Economic Area" EEA comprises the member states of the European Union (EU), plus Iceland, Liechtenstein and Norway.

Appendix 2 – Explanatory Notes – information required

This request is for all holders of a British gas shipper licence, and applies to a) all gas supply contracts, for the import of gas to Great Britain (GB), with a cross-border dimension and a duration of more than one year which it has concluded to procure gas; and b) contracts that have been modified or concluded on or after 1 November 2018 that individually or collectively with their other contracts from the same supplier (or affiliates) is equivalent to 28% or more of yearly gas consumption in the UK.

For companies which are EU subsidiaries of non-EEA companies, the information should be provided in respect of the contracts held with their parent companies.

The information to be submitted is only in respect of contracts where delivery to Great Britain is expected. Please do not include contracts where delivery is specified as being to another EU member state but could be diverted to Great Britain.

Our request relates only to information relating to licensees' supply or commodity contracts. For example, we do not require information on contracts for interconnector import capacity.

We are aware that most contract terms do not specify daily or monthly contract volumes and that some are seller nominated so do not even specify annual volumes. In such cases, we request that you submit estimates of the likely volume. Where there is flexibility or a contract has other relevant particular characteristics, please also provide an explanation of these characteristics.

We understand that the licensee may not have any contracts (a) with a cross-border dimension and a duration of more than one year which it has concluded to procure gas; or b) contracts that have been modified or concluded on or after 1 November 2017 that individually or collectively with their other contracts from the same supplier (or affiliates) is equivalent to 28% or more of yearly gas consumption in the UK. In such circumstances we request you simply respond stating this.

Finally, our request does not concern secondary trading of gas which may have originated outside of GB, as this could result in double counting. Similarly, our request relates only to the physical delivery of gas and therefore we do not require information on purely financial contracts. However, our request does include importation contracts where the point of delivery is the National Balancing Point (NBP).