



*taking care of the essentials*

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For the attention of Sonia Brown –  
Director, Markets

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Our Ref.  
Your Ref.  
30 June 2005

Dear Sonia,

**Re: 3<sup>rd</sup> Party Proposal: Publication of Near Real Time Data at UK sub-terminals,  
Modification Reference Number UNC006 (0727) – Impact Assessment**

Thank you for the opportunity to comment on this Impact Assessment document. The issue of greater data release to the market has been a subject under consideration for a long period of time and has been the subject of much debate within the industry and more widely. Centrica continue to support initiatives that would deliver relevant information to the market and to reduce or eliminate any distortions in the availability of information between market participants. However, neither in the NWC (now UNC) Modification discussions nor in this document do we see any overwhelming evidence that would lead us to support this specific proposal.

Looking at the detail of the Ofgem document we would particularly wish to comment on the following points:

- a) para 4.5 – since the data proposed to be released relates to within day activities we are unclear why the supply curve would be affected,
- b) para 4.7 – as we understand it the issue in summer 2003 was not a gas supply shortfall, but problems for Transco with the sources of gas offered,
- c) para 4.8 – we are not convinced this is wholly true – other sources of gas ie. storage could have been used if the right situation existed. Therefore it was not only offshore players who could assist.
- d) para 4.11 – because of our concerns with the content of the earlier paragraphs we are not sure that the Ofgem conclusion is robust.
- e) para 4.15 – one of the key factors surrounding the current investigations into gas prices has been the linkage between the GB and Continental gas markets. As UKCS reserves decline it is these continental markets that will influence the GB market more and more. Therefore this initiative will have a reducing impact over time.
- f) para 4.22/5 – Again since the information to be released relates to specific within day information it is unclear how this necessarily affects the view of any future flows and or longer term security of supply. For example flow information from a LNG import facility for one day gives no help in considering the likely flows for the next or any future day.
- g) para 5.8 – we note the comments regarding the status of the current Code Modification. We have two concerns with this, namely: we are not convinced that it is clear to all parties what information would actually be released to the market. We also note Ofgem's comments

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regarding the legal text provided. This leads us to believe that Ofgem have no choice other than to reject this Modification Proposal.

- h) para 5.110 – Aggregation – we note Ofgem’s comment regarding aggregation and the proposed threshold of 10mcm/day. Whilst it is anticipated that aggregation and a threshold would normally be sufficient to avoid any issues of confidentiality, the nature of the gas market is such that there are examples at different locations where there could be discrimination. As such it is unlikely that a uniform approach could work. By their very nature there will therefore be winners and losers introduced by Ofgem’s decision with unintended consequences.
- i) para 5.116 – Duplicate Metering – we note the costs and potential timing impacts of the potential requirement to install duplicate metering. However, in the absence of renegotiation of contracts with upstream parties (which in itself will take time and money) it may be appropriate to include such costs and times into any Ofgem deliberations.
- j) para 5.124 – Data accuracy – we acknowledge the Ofgem position that data accuracy issues should all be surmountable. However, our previously stated concern is that failure to improve the platforms used to share any information released to the market will negate much of the anticipated benefits.
- k) para 5.127 – Ownership of data - we note the debate but assume that any concerns over data ownership can be addressed under the other headings of the discussion ie. renegotiation of contracts, new metering arrangements etc.

These comments lead us to the conclusion that the case in support of the Modification is not well made, and as such we do not believe that any possible benefits would outweigh the real costs incurred should the proposal be progressed.

**In conclusion we consider the proposal against the 6 areas identified as key issues by Ofgem in 4.1 and comment as follows:**

- Economy and Efficiency – we agree that increased levels of information are likely to improve the efficiency of markets. However, we do not believe that it has been demonstrated that this proposal adds any “real” information to that already available. As such we are therefore not convinced that this issue is addressed. Neither is it clear what **additional** value this proposal would provide over that to be provided under the DTI/UKOOA initiative.
- Security of Supply – since security of supply relates primarily to longer term actions it is unclear how the information to be released, being very short term in its nature, adds value.
- Customers – if the release of this information was successful in reducing within day volatility in market prices, it may assist those customers who price their purchases of gas in this way. However, the majority of customers are priced against suppliers’ views of the forward curve and it is unclear how this data would improve on that issue.
- The environment – we agree with Ofgem’s view that there are unlikely to be any material environmental impacts from releasing or not releasing this information.
- Costs on Implementation – with the level of uncertainty over a number of issues discussed in this paper surrounding the detail of the proposal and the method of implementation, we are unclear how a robust cost benefit analysis can be carried out. In particular this applies to the calculation of any benefits this information would provide, over and above the benefits of the release of information already agreed to by the upstream parties. On costs, there is no clear evidence provided on what costs would be incurred should additional metering or contract renegotiation be carried out. However, these costs are likely to be significant.
- Risks and Unintended Consequences – because of the uncertainty over certain aspects of the current baseline position and hence the possible actions that parties may take if the proposal were to be implemented it is impossible to quantify this aspect. However, it is very likely that there would continue to be some variation in the level of data released to different players and the timeliness of that release. As such there are likely to be unintended consequences such that some or all of the perceived benefits could be lost.

In conclusion we would reiterate the comments we made in response to the Network Code consultation on this issue. We continue to support the improvement of information release to the market and have made this clear publicly. However, we would prefer that proposals developed by

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open discussion of market needs for specific data items and possible sources for such data be brought forward rather than this Modification Proposal.

Should you wish to discuss any of our comments please do not hesitate to contact me further.

Yours faithfully,

Simon Goldring  
Head of Transportation

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