



**CHEMICAL INDUSTRIES**  
ASSOCIATION

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**CIA RESPONSE TO OFGEM'S IMPACT  
ASSESSMENT ON DATA TRANSPARENCY  
MODIFICATION PROPOSAL. UNC 0006**

Dear Sonia

The Chemical Industries Association welcomes the opportunity to respond to this impact assessment and would like to take this opportunity to support the implementation of this proposed modification to the Uniform Network Code (UNC). We believe that this modification will aid transparency in a market that has an asymmetrical access to information. Furthermore we are positive that this increased transparency will benefit both customers and market participants, as it will increase competition, efficiency, price signals and the more economic and efficient use of the NTS.

**Key Issues:**

- Ofgem is correct to believe that the extent to which information is available and transparent to the market is one factor that affects the economic and efficient operation of the markets. We agree that the current asymmetrical access to information results in certain parties being insufficiently informed as to the fundamental demand/supply position, which results in them being unable to respond to this basic market fundamental in time.
- We consider that the release of timely and accurate information regarding supply and demand levels will assist Transco NTS in its role as System Operator (SO) to balance the system as shippers and consumers will be able to react to market fundamentals to address any potential shortfalls as and when they occur. This represents an improvement on the current situation where these parties often respond to rumours of supply shortfalls due to a lack of timely accurate information.
- The CIA also supports Ofgem's belief that as the market learns to interpret the information that is available as a result of this modification; the level of inefficient volatility will decrease. We further believe that this information will help to reduce barriers to entry, in turn increasing competition and liquidity in the market.
- We further support the belief that the release of this information will allow our members to take more informed decisions when purchasing their gas requirements. This may allow them to reduce demand at times of a supply deficit, and should also help to reduce some of the volatility experienced in both the spot and future market.

**Costs and Benefits of the Proposal:**

The CIA fully supports and agrees with Ofgem's cost benefit analysis, and in particular we believe that:

- The threat of increased market volatility is unlikely to be material and is unlikely to persist, as the market will learn to interpret and respond to the information over time. Further any volatility that may persist will be preferential to the inefficient volatility currently experienced as the market attempts to respond to rumours and inaccurate information.
- We support Ofgem's analysis that Transco should be able to provide information regarding the accuracy of this data, which will allow the market to form its own decision as to whether to act on it or not. We also consider that concerns over meter failure or telemetry represent an engineering problem that can be overcome and that the number of failures that may occur is likely to be very low.



CIA members are committed to Responsible Care

- The CIA is also of the opinion that Transco NTS' timescales, and costs, of implementing the required IT system at 18 months appear excessive. The CIA supports Ofgem's call for Transco NTS to assess these requirements in further detail, and we would expect this assessment to be published in order to provide greater transparency and confidence in the process.
- The CIA is also concerned to learn that Ofgem's assessments of the majority of Transco NTS' contracts do not prevent information disclosure as a result of confidentiality provisions. We believe a thorough assessment of these contracts should be undertaken to provide Transco with some legal certainty, and Transco NTS should explain why they were so misled over the content of their own contracts if this further assessment fails to highlight any confidentiality provisions.
- The CIA would also like to express our continued anguish at both Transco's reliance on a voluntary agreement for information disclosure, which is an essential element in Transco's role as SO. We continue to call on Ofgem to implement its preference for a regulated or legislative approach to the release of this information to ensure the economic and efficient operation of the system, and to ensure Transco's continued independence.

If you have any queries regarding any of the comments raised in this response please contact me.

Regards

Stefan

Stefan Leedham  
CIA Business Analyst

### **CIA Credentials**

The CIA is the leading representative and employers' body for the UK chemical industry, with 150 members at over 200 manufacturing sites. Within its membership there are a significant number of energy intensive - alongside smaller business - users of energy.

The chemical industry in the UK contributes over £5 billion annually to the country's balance of payments from a gross output of £50 billion. It accounts for 2% of UK GDP; 11% of manufacturing's gross value added; employs some 230,000 highly skilled people directly and supports several hundred thousand jobs throughout the economy nationwide. It also provides a contribution of almost £5 billion to the UK national Government and local authorities and invests some £3.5 billion on R&D.

The industry is one of the most energy intensive sectors of the economy accounting for 6% of the nation's gas and electric consumption, and is manufacturing's largest consumer of energy at 22%. In addition to its consumption of energy for heat and power generation, the industry uses energy directly in many chemical processes, as well as using hydrocarbons as raw materials in the manufacture of basic petrochemicals and fertilisers.

The chemical industry is heavily reliant on gas for its own electricity generation requirements. The industry now generates around 30% of its own electricity, most of which is from Combined Heat and Power Plants (CHP). These plants have helped to contribute to the industry's continuing energy efficiency improvements.