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Dear Sonia

**3<sup>rd</sup> Party Proposal: Publication of Near Real Time Data at UK sub terminals UNC006**

Thank you for the opportunity to comment on Ofgem's Regulatory Impact assessment relating to the increased provision to the market of offshore gas production information "3<sup>rd</sup> party Proposal: Publication of Near Real Time Data at UK sub terminals UNC006". Centrica Storage Ltd (CSL) has responded to this proposal as if the requirement to publish real time data applied to the Rough storage facility although this is not necessarily clear from the Final Modification Report.

CSL concurs with Transco's view in that we would support increased gas information provision to the wider market in an equitable and timely manner where clear benefits (including costs) can be quantified. However we do not agree that benefits are conclusively demonstrated by either the modification proposal or Ofgem's analysis.

CSL's primary concern is that there does not appear to be a robust methodology to judge the incremental benefit that modification would bring over and above the benefits of Phase 3 DTI's information initiative. CSL believes that many of the benefits claimed by the proposer of the modification will be achieved by the DTI's initiative. However the extent of these benefits appear understated, which will distort the perceived value of the information disclosure proposed in Modification UNC006. CSL believes Ofgem were right to support the DTI in seeking a voluntary solution to effect the disclosure of offshore information and that the case has not been made to effect a legislative route and thus the status quo solution, factoring in the DTI scheme remains the most efficient solution.

CSL's secondary concern is that the analysis does not appear to consider if the proposal is discriminatory against particular types of System User (and thus not furthering the relevant objectives), in particular those shippers who are more sensitive to physical gas flows or can be distressed by changes in flows at specific entry points. It should be considered if implementation of the proposal will discriminate against Storage Operators<sup>1</sup> who have a regulated contractual requirement to allocate their customer nominations whole, regardless of physical flows and to release such data as aggregate site nominations within day, storage inventory levels, daily capacity release and planned maintenance periods.

CSL's third concern is that the modification limits the data to supply points which are greater than 10mcm/d when the market is sensitive to supply changes lower than 10mcm/d. CSL believes that this level is arbitrary and would cause further discrimination against large supply points. It may also

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<sup>1</sup> Storage Operators who are not exempt from the Gas Act provisions enabling the EU Gas Directives and who have been urged to comply with the Guidelines for Good TPA Practice for Storage System Operators (GGPSSO) agreed in March 2005 through the Madrid Forum.

incentivise new supplies to limit their flow to below this level and/or discourage efficient utilisation of existing entry points, against the intent of the voluntary ICOP scheme. The only non-discriminatory way of implementing such a change would be to apply the rule to all NTS connected points, including exit points – a policy CSL would not support.

The Authority has a duty to carry out its functions to secure a diverse and viable long term energy supply. Accordingly it can be argued that implementation of this proposal may threaten the securing of gas on long term supply contracts, as the requirements of real-time data flow publication versus peer markets may cause these alternative markets to appear more appealing over the lifetime of the asset.

CSL's final comment is to note that there has not been any analysis of the extent and duration of any potential increase in prices and/or volatility that may be caused by publishing the proposed level of detail of real time data flows. Players who are exposed to physical gas flow changes will be primarily exposed to this new source of volatility and will expect higher returns to reflect any perceived increase in risk exposure. This could lead to higher gas prices and would not be in the interests of the consumers.

There are other possible solutions to the issues raised by the proposer of this modification and whilst CSL recognises the Authority can only respond to modifications presented to it, we feel the key issue is actual flows being reflected in DFNs provided to Transco. A more accurate reflection of actual flows, perhaps in conjunction with regular updates to PCLP (every [30] minutes) may achieve much the same results as real time data but without the discriminatory effects given above.

In summary, Centrica Storage Ltd believes

- The impact assessment should be more focused on the incremental benefits of the proposal over Phase 3 of the DTI information initiative.
- Issues of discriminatory effects of the modification should be given consideration.
- Publication of real time data flows from Rough would reveal the commercial position of CSL (v's aggregate nominations which provide a point of reference not available elsewhere).
- Discrimination against larger supply points can only be addressed by including all NTS supply and delivery points in the scope.
- Appropriate weighting should be given to uncertainty surrounding the likelihood and duration of increased volatility that the modification will have in the market.

Please contact me if you require additional information

Yours sincerely

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