



Department of Trade and Industry

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24 June 2005

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## Consultation on Offshore gas production information disclosure

I am responding to your consultation "3<sup>rd</sup> Party Proposal: Publication of Near Real Time Data at UK sub terminals Modification Reference Number UNC006 (0727) - Impact Assessment" (published 27 May 2005) which sets out Ofgem's Impact Assessment of the energywatch proposal raised in 2004.

Ofgem notes in the document that the consultation period is shorter than the 6-week minimum it would usually provide. However, this is a complex and contentious issue. Having issued immediately preceding a Public Holiday, the consultation document in practice provides only 19 working days for consideration and response. While we are aware that the proposal has been the subject of earlier but restricted consultation, we consider that the limited time provided for this consultation, which presents new analysis of the potential benefits of the proposal, does not represent best regulatory practice and potentially compromises the quality of responses.

DTI is committed to ensuring gas supplies to consumers are underpinned by a well functioning market and recognises that to operate effectively markets may need access to certain information. It was against this background that DTI and Ofgem facilitated industry discussions resulting, last year, in a voluntary agreement on the provision of information by producers and terminal operators to Transco, as operator of the NTS, about gas flows and for certain aggregated data to be published.

— Securing the voluntary agreement was an important and positive step both in obtaining information provision quickly and avoiding potentially burdensome regulation in industry. The market is now benefiting from increased information availability. The final element of the Voluntary Agreement - publication of near-to-real time flows on a north-south basis - is scheduled to come into place in July 2005.

We want the market to utilise this information. It is important that we allow this to happen before implementing further changes. We do not see how the benefits of the modification can be truly assessed until the Voluntary Agreement in its entirety has been given time to work. We would hope that Ofgem, perhaps in Spring 2006, would look at the benefits the Voluntary Agreement has delivered. Only then can a proper assessment be made. As you know this is also the view of the Trade and Industry Committee.

We had hoped that the Impact Assessment would concentrate on measurable benefits which the modification will bring. A good deal of the Impact Assessment talks about the general issue of transparency. We had also hoped that the assessment would deal in more detail with its unintended consequences. One example is the section on market volatility which is under "Benefits" but not "Costs" or "Risks."

We would also hope that Ofgem would take into full consideration any negative impact on investment in the UKCS which may come about with

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the increased regulatory burden this modification will add. The Government, working jointly with industry under the high-level PILOT forum, has been actively working to promote offshore development. The success of the latest Licensing Rounds are clear indicators - 97 licenses awarded in the 22nd Offshore Licensing Round and applications for 279 licence blocks in the recently closed 23rd Round - that we are succeeding. It is for Ofgem to consider whether information on the location of unplanned offshore outages carries the potential of significant commercial risk for some producers which will then be seen as a disincentive for further investment. It is also for Ofgem to consider the impact on security of gas supply if the focus for Norwegian gas export was to be redirected towards mainland Europe or other markets as a consequence of the Code Modification.

To conclude, the impact assessment does not convince us of the need or the desirability of this modification. We would hope that the full gains of the Voluntary Agreement can be assessed before any other changes are considered. We hope that Ofgem will consider these points when coming to its decision.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'A. S.', written over a horizontal line.

**Energy Markets Unit  
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