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24 October 2005

Dear Colleague,

Uniform Network Code (UNC) Modification Proposal 006 “3rd Party Proposal: Publication of Near Real Time Data at UK sub-terminals”

The Authority considered UNC Modification Proposal 006 (“the Proposal”) at its June meeting earlier this year, and chose to postpone the final decision as to whether to approve or reject the Proposal until April 2006. This decision was explained in Steve Smith’s letter to interested parties of 25 July 2005.¹

As noted in that letter, the Authority considered that it was important for the Proposal to be assessed against the new baseline of information regarding the operation of the gas market made available to the market from 29 June 2005. As such, Ofgem intends to publish an impact assessment (IA) considering the incremental value of the information provided by the Proposal in late January/early February of next year.

Input into the Impact Assessment

Sub-terminal flow information aggregated on a North-South basis has now been made available to market participants under the final phase of the DTI-UKOOA voluntary scheme since 29 June 2005. Therefore, as market participants have now had nearly four months to gain experience with and develop their own views regarding the value of this information, Ofgem is keen to understand the value to market participants of the information proposed for release under the Proposal relative to the value of the aggregated North-South flow information released as part of the voluntary scheme.

¹ ‘Uniform Network Code (UNC) Modification Proposal 006 “3rd Party Proposal: Publication of Near Real Time Data at UK sub-terminals”’, 25 July 2005. This letter can be found on Ofgem’s website: www.ofgem.gov.uk; reference number 174/05.

As such, to help inform Ofgem in carrying out the IA, Ofgem is seeking to obtain information from market participants regarding any incremental benefits that they consider may be achieved, or costs that may be incurred, were the Authority to approve implementation of the Proposal.

To facilitate this process Ofgem would welcome responses from market participants regarding:

- the way in which your company/members has used the information provided as part of the DTI-UKOOA voluntary information initiative;
- the way in which your company/members may use the information that would be provided were the Authority to approve implementation of the Proposal; and
- the incremental value (both potential costs and benefits) that your company/members may accrue were the Authority to approve implementation of the Proposal.

Further details of the information that Ofgem is seeking to obtain, in order to inform the conclusions of the IA regarding the Proposal, are outlined below.

Publication of information under the DTI voluntary information initiative

Ofgem would welcome responses from market participants regarding the way in which the publication of aggregated North-South sub-terminal flow information has improved their ability to participate in the wholesale gas market. In particular, it would be helpful to obtain examples of how you have used the North-South flow information and, further, for these examples to consider instances where the publication of the aggregated flow information has assisted your understanding of gas market activities. It would also be useful if these examples could consider any instances where the publication of the aggregated information may have had detrimental effects on your/your members' commercial interests.

Such examples would provide Ofgem with an improved understanding of the value (in costs and benefits) attributed by market participants to the aggregated sub-terminal flow information which is currently published. Ofgem anticipates that this information will also help provide an indication of the potential additional incremental value to the market of the near to real time disaggregated sub-terminal flow information intended for release under the Proposal.

Publication of information under the Proposal

To aid its assessment of the incremental value of information intended for release to the market under the Proposal, Ofgem submitted a formal request to Transco NTS for a sample of that information under Standard Special Condition A26 of Transco NTS's Gas Transporters licence². In accordance with that request, Transco NTS provided Ofgem with a sample of disaggregated sub-terminal data on a "real-time basis", for data over the period 12 September to 18 September. A copy of this information sample is attached for your consideration as Appendix One.³

Ofgem considers that this information sample will allow market participants to make a more informed assessment of the additional incremental value that would be achieved as a result of

² Since the time that this request has been submitted, Transco NTS has been rebranded. As such, references to Transco NTS now relate to National Grid Gas in respect of its NTS business.

³ The information is from real sub terminal flows over this period and is provided for illustrative purposes in order to aid market participants consideration of the Proposal.

the near to real time release of disaggregated sub-terminal flow information. In particular, Ofgem would be interested to understand how the release of the additional disaggregated information would affect market participants' ability to participate in the wholesale gas market.

It would therefore be helpful if you could provide a response to Ofgem outlining your views in relation to the potential usefulness of the publication of the sub-terminal flow information intended for release under the Proposal. It would be particularly useful if you could provide details of the benefits that you consider would be achieved, with examples of how your business would use or benefit from this information where possible.

As part of this assessment Ofgem is also interested to understand the potential costs that the release of this additional information may incur if implemented. In this respect, it would also be useful for those parties that consider that the release of information as intended under the Proposal would have a detrimental effect upon their business, to provide information to Ofgem detailing examples of how the release of this information would have such an effect. In particular, examples detailing how the release of this information would serve to harm your commercial interests or cause you to incur associated costs and, if possible, to quantify any likely costs involved, would be very helpful to assist Ofgem's assessment of the potential costs and benefits associated with the Proposal.

To ensure that information is received in time to inform the analysis carried out as part of the IA, Ofgem would request that parties submit relevant data and examples to Ofgem by **11 November 2005**.

Please call me on the number above or Hannah Cook on 0207 901 7444 if you would like to discuss any of the issues detailed in this letter.

Yours sincerely

By email.

Sonia Brown
Director, Markets