

Sonia Brown  
Director, Markets  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

11<sup>th</sup> November 2005

Dear Sonia,

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

Total Gas & Power Ltd (TGP) welcome the letter that was issued by yourselves on the 24 October 2005 stating that you are carrying out an impact assessment (IA) on the above proposal. We also welcome the statement that this will be carried out against the new baseline of information regarding the operation of the gas market made available to the market from June 2005.

You asked for our responses to a number of specific areas.

Publication of information under the DTI voluntary information initiative

Our operations and prompt trading areas now use this information as part of their overall portfolio of tools to help them understand what is happening and to anticipate where action may be required to protect the company's commercial interests. Specifically it is used alongside linepack and demand information which is available at a similar granularity to the supply information. Predominantly our assessment of the market is carried out at an NBP level as this is where we can target the majority of our actions in terms of renomination or trading activity. As such we see very little value in providing information at a narrow locational level. We also note that locational balancing actions have only been taken in very exceptional circumstances.

We do have some concern that at times the current information is not as robust as it could be – for example, on occasions the data is not refreshed in a timely manner. However we anticipate that this will improve in time.

Publication of information under the Proposal

We have looked at the sample data that was provided by National Grid. Clearly it is only a limited sample which relates to a historical period and, as such it is difficult to simulate how the data may have been viewed when presented in near real time as is the intent of the Proposal. Nonetheless there is evidence of fluctuations in some of the flows which could have been interpreted as an unexpected reduction in sub terminal flow, perhaps indicative of a supply problem, that did not, in reality, materialise into such. It is this sort of situation which we believe may result in additional volatility in the market, because of an overall incomplete

picture of what is actually happening. However, we also realise that any decision to act on the received information will be a commercial judgement.

We have not carried out any formal analysis to estimate the costs that we would have to incur in order to utilise the data in a live operation. To some degree any system costs will depend on the way in which the data is presented by National Grid. However, we do envisage that a reasonably sophisticated system would be required in order to allow the data to be viewed at both a sub-terminal level and at an aggregated level across one or more sub-terminals and further to provide some sort of analytical support to interpret short term supply fluctuations. Similarly we believe that the central system investment by National Grid will need to be very significant in order to provide the very high levels of service, accuracy and robustness that the Market would require were it to utilise the information to support operational decisions.

## Conclusions

Overall, at this time, we do not see ourselves as deriving any significant benefit from the data and further do not believe the information would affect any market participants' ability to participate in the wholesale gas market. Certainly we do not consider that any locational information that could be derived from the data would justify the overall investment and time required to manage the data.

We also remain sceptical of many of the justifications claimed by the Proposal and its supporters, particularly as we continue to hear that the main concerns being put forward by large consumers and others is over the working of the forward as opposed to prompt market. Whilst we continue to believe that the forward market is functioning properly and is reflective of the changes in the fundamentals of supply and demand in the market (UK, European and Global) we fail to see how this proposal will realistically assist market participants to better understand this market.

Please do not hesitate to contact myself if you should wish to discuss this matter further.

Yours sincerely

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