

16 January 2006

Ms Hannah Cook
Wholesale Markets
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Dear Ms Cook

**Publication of Near to Real Time Data at UK Sub-Terminals (UNC 006)
Ofgem's Impact Assessment – Case Study**

Thank you for your letter of 10th January 2006 inviting UKOOA to respond. We are pleased to be able to do so in the extremely short time afforded which means that our normal procedures for consulting our members have inevitably had to be severely curtailed.

Firstly, as we noted in our response of 11th November 2005 to Ofgem's earlier and similar request dated 24th October, any retrospective assessment of this kind is, by its nature, going to be highly subjective. It is, therefore, very doubtful how much reliance, if any, should be placed on such an uncertain and hurried process. It would be useful to know what significance this assessment will have in Ofgem's overall plan for re-consideration of modification proposal UNC 006.

Secondly, as far as we can tell, the words relating to example 1 belong to the graph of example 2 and vice versa. Perhaps Ofgem would like to confirm whether we have interpreted this correctly.

Regarding the graphs themselves, there are various points on which UKOOA wishes to comment:

1. The timescales along the horizontal axes have significant discontinuities in them, especially in the first graph, and therefore the graphical plots are not linear which, at first sighting, they might appear to be. This should surely have been made clearer or it risks creating a somewhat distorted picture.
2. There is nothing unusual in linepack diminishing during the day and rising overnight; this often happens. Moreover, there appears to be something wrong with the r.h. scale of the first graph which presumably is for linepack (the numbers 269, 270, 271, 272 and 273 all are shown twice). In any event, linepack changes of 1 mcm, such as are on this graph, are not likely to be significant.

3. We would question why data which are normally available to the market have not been included with the examples: opening and anticipated closing linepack; expected demand; expected supply (north and south). Information updating these hourly (as on NG's web-site) throughout the periods under review would also need to be included.
4. With respect to prices, market participants will always know what has been happening to prices and their underlying trends in the days and weeks leading up to events such as those portrayed. Again, we would have thought it necessary for such information to have been made available for these examples to represent real events.
5. On the matter of price volatility, if the words of example 1 belong to the graph of example 2 (which we think they do), there is some volatility evident in the earlier hours after the first outage – although this is distorted by the discontinuities in the timescale – but after the third outage the volatility is much reduced and the price drifts downwards. If though the words about volatility are related to graph 1, there is little or no change in price volatility throughout the period, but there is a change in the underlying price.

UKOOA, therefore, finds itself in considerable difficulty with the five questions posed by Ofgem in its letter. The identified shortcomings in the information which is presented, the theoretical and subjective nature of the assessment involved and the lack of time in which to respond surely call into question the validity of this process and whether it will lead to a meaningful outcome.

We would like to propose, therefore, that Ofgem should publish the results of this exercise in its forthcoming Regulatory Impact Assessment and explain the extent to which it intends to rely on these results and those which arose from its earlier and similar request in October 2005. This will enable all market participants to gain a clearer understanding of Ofgem's thinking.

Meanwhile, UKOOA's overall position on modification proposal UNC 006 remains as previously advised in our response of 11th November 2005 to Ofgem's 24th October request. We refer you also to ours of 24th June responding to Ofgem's earlier Impact Assessment dated May 2005. Further copies of these are available if required. Our main concern is that information should not be released to the market if it discloses an individual company's commercial position. The effects of such a disclosure will entirely depend on the specific circumstances at the time.

We naturally remain available to discuss this matter further, should you so wish.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mike Tholen', is written over a thin red horizontal line.

Mike Tholen.
Economics and Commercial Director

Copy: Claire Durkin and Rob Lally, DTI