

**Re: 3<sup>rd</sup> Party Proposal: Publication of Near Real Time Data at UK Sub-Terminals. Modification Reference Number UNC 006**

1) Has Ofgem undertaken the appropriate analysis?

In our response to Ofgem's case study in January this year, we highlighted the difficulties in providing accurate information and feedback on the likely benefits of near real time information. We accept and agree with Ofgem that this is largely borne out of the number of influencing factors, which make market behaviour extremely difficult to pre-empt. However, Ofgem's price model (figure 2.1), which shows considerable alignment between Ofgem's modelled prices and actuals, does go some way towards alleviating this concern and suggests that the appropriate analysis has been undertaken.

Despite being difficult to value, it is our view that increased levels of information transparency in the gas market will result in a more efficient marketplace and help to level the playing field between producers' affiliates and non-integrated market participants.

2) Is there any additional analysis that would have been appropriate?

As raised in our response to the Authority's October consultation, we would have welcomed the opportunity to assess the benefits of near real time information through the release of historic near real time data. By publishing near real time data for a historic summer and winter day, each individual shipper could have analysed their own actual position, both in the presence and absence of this information. Not only would this analysis have helped Ofgem to determine the potential benefits of near real time information release, but also market players.

3) Do you think the assumptions used in the modelling were correct?

As highlighted above, it is difficult to provide Ofgem with robust feedback regarding the applied assumptions because of insufficient background regarding the derivation of these. Nevertheless, we believe the assumptions made in this impact assessment are reasonable and would appear to be corroborated by the alignment of the modelled and actual prices.

4) Are the benefits obtained from the modelling analysis reasonable?

We are confident that the release of near real time information will result in a net benefit to the market. Shippers will be better able to manage their position, thereby reducing the onus on balancing and improving overall efficiency. We agree with Ofgem's conclusions that the benefits will lie somewhere between the medium and high impact scenarios and consider the benefits implied by the modelling to be reasonable.

5) Was there value in carrying out the January consultation?

We believe that there was value in carrying out the January consultation and we broadly agree with Ofgem's analysis of the costs and benefits.

6) Are NGG NTS's cost estimates reasonable?

We are not in a position to comment categorically on NGG NTS's cost estimates. Our experience, however, would suggest that £1.4 million is a rather high estimate given the quality of the system already in place. Moreover, NGG NTS already has access to and

employs the necessary information. Hence, the imposition of modification UNC 006 is not anticipated to require significant and costly IT build.

7) Has Ofgem reached the correct conclusions regarding NGG NTS's cost estimates?

Yes. We support Ofgem's initial assessment and welcome the Authority's call for further clarity and breakdown of NGG NTS's forecasted costs.

8) Do you agree with Ofgem's overall conclusions regarding the costs, benefits and associated risks?

The DTI's information initiative has kick-started efforts to establish a more uniformly informed market. However, the 2-day delay on daily flows and the north-south aggregation of near real time hourly flows does limit the benefit and effectiveness of this information. We, therefore, welcome energywatch's proposal to increase information transparency in the gas market.

The decision to implement modification UNC 006 would remove this limitation and enable all market participants to respond appropriately to outages as and when it matters. Importantly, it would move the market away from the current situation whereby different market players are party to varying levels of information. A more informed market, and one that is more aware of supply disruptions, will undoubtedly provide a more timely and appropriate response during distress periods. We are certain that this will have the effect of smoothing market volatility to the benefit of customers.

As previously stated in this response, we consider it difficult to assess and quantify the actual costs (and benefits) put forward by Ofgem and NGG NTS. This is largely due to the lack of near real time information available for comparison purposes. However, we are confident that the benefits of improved information across the gas system will outweigh the set-up and running costs.

Whilst we clearly support the provision of near real time information, we are concerned that Ofgem has not fully considered the competitive implications of applying UNC 006 to storage facilities. We believe the arguments against their inclusion to be considerable. In short, storage operators, owing to the EU-level requirement to keep customers whole, are effectively a single user entry point. For a storage operator, the requirement to publish real time information will, at times of distress, lead to severe price exposure. Escalating prices may mean that storage operators face excessive costs in order to keep their customers whole or, alternatively, fail to comply with the EU Guidelines. Through increasing costs or the inability to deliver a flexible product, the release of near real time information from storage facilities will, at times of distress, be detrimental to our customers.

Offshore producers do not have this same exposure. Unlike storage operators, they tend not to have the same requirement to keep customers whole. Moreover, offshore producers tend to have greater flexibility in terms of other assets and more anonymity through their higher number of users, which reduces the likelihood that individual positions can be determined. Finally, storage operators are already subject to considerable transparency requirements through both the Gas Act and, more recently, the ERGEG Guidelines for Good Practice (GGPSSO).