



Ofgem
9 Millbank
London
SW1P 3GE
UK
Att: Sonja Brown
Director, Wholesale Markets

Gassco AS
P O Box 93, N-5501 Haugesund
Visitor address.:
Bygnes, N-4250 Kopervik
Phone: +47 52 81 25 00
Fax: +47 52 81 29 46
www.gassco.no
No 983 452 841

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Bygnes, 17.03.2006

RE: RESPONSE TO THE OFGEM CONSULTATION ON IMPACT ASSESSMENT FOR UNC MOD 006

Gassco appreciates the opportunity to comment on the second Impact Assessment in respect of UNC Modification Proposal 006 "Publication of Near Real Time Data at UK Sub-Terminals" as published in February 2006.

As stated in our June 2005 response in relation to this modification, Gassco are opposed to the publication of disaggregated near real time information. Our position is based on the following principle points :-

- 1) We do not believe that the argumentation used to substantiate a change is sufficiently strong or that the desired effect (reduced market prices and volatility) will be achieved by the proposed change.
- 2) The modelling and calculations are inadequate to substantiate such a significant change.
- 3) The consequence for upstream parties has been ignored.
- 4) Gassco have no mandates and are unable to comply with the modification.

Developing these points further :-

- 1) We fail to understand how a consumer will be able to use what is commercially sensitive data to determine the effect it will have upon their position since they will not know, apart from a total shutdown, whether they are affected in real time. This could give rise to the Producer, NG and the consumer all addressing the same shortfall if indeed there is one. If the consumer is affected but unknowingly, there is the additional danger that they may take the opportunity to sell gas into the market, which is not going to be delivered. As you may recall this was sometimes the case in the early days of the Network Code and gave rise to price volatility.

It is also not explained why the consumer cannot protect themselves by purchasing their gas at the NBP. Is it not the case that the seller then takes the risk of non-delivery, which in the majority of cases would be the Producer or affiliate who are best placed to manage such a risk.

- 2) Moving on to the calculations, the Impact Assessment as currently issued, is seriously lacking in demonstrating many of the claims with numbers appearing without justification.

For example, what is the basis for the claimed 8% Coefficient of Beach and how are the subsequent values for less significant losses determined? In addition there is no justification for the claimed benefits arising from the reduction of system balancing costs or reduced market volatility. It is our view that the proposed modification will not reduce volatility but do precisely the opposite and increase it.



The price model seems extremely simplistic and built using data from a limited period, but since little information is included to explain or demonstrate its robustness the conclusions arising from your analysis using the model must be open to debate.

To reinforce the case for acceptance of the proposed modification, the values in respect of the suggested benefits arising, have been accrued over a 15 year period. Why 15 years has been chosen is not discussed.

- 3) In respect of the upstream parties, in order to balance the argument surely the costs there should also be taken into account. One remedy proposed by Ofgem is for Producers to purchase a storage service, where would these costs reside? If they are factored into the gas price does this not need to be addressed in your cost benefit analysis? Since there is no attempt to address upstream costs the cost benefit analysis is seriously flawed in our opinion.

Before considering the modification we believe that a more robust analysis should be undertaken where the conclusions are irrefutable.

- 4) Finally if Ofgem decide to make a determination based on the Impact Assessment as it currently stands then Gassco must bring to your attention that we have no mandate from either Shippers or from the Producers to allow the onward transmission of information to National Grid which could be subsequently made publicly available other than the arrangements put in place for the DTI initiative.

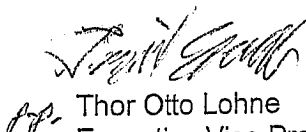
We have therefore no option but to refuse to transmit real time data if NG is forced to publish.

We would also draw your attention to the exchange of letters, dated 4th April 2005 between Mrs Thorhild Widvey, Minister, Ministry of Petroleum and Energy and Mr Mike O'Brien, Minister for Energy and e-Commerce in relation to the Framework Agreement 2005. There it is stated that the Norwegian Government consider that the exchange of information, which is commercially sensitive, not already in the public domain and which is not provided voluntarily cannot be guaranteed. An obligation to provide such information might lead to the reduction or discontinuation of information to the pipeline operator.

The correspondence further states that if this information is required on a non-voluntary basis the two Governments will consult in advance to ensure that the interests of both States are safeguarded. Should there be failure to reach a satisfactory solution after consultation, the Norwegian side maintain the right to take appropriate measures to safeguard the integrity of the Norwegian transportation system.

Reiterating our position, Gassco do not support the introduction of UNC Modification 006 and are of the opinion that its introduction will make matters worse in respect of price volatility in the UK. Also we are unable to comply with the modification since we have no mandate and do not expect to receive one. Further, there are inter-Government communications, which state that other than for voluntary provision of commercially sensitive information consultation between the two Governments would be required.

Yours faithfully
Gassco AS


Thor Otto Lohne
Executive Vice President
Financial and Commercial Development