



Sonia Brown
Director
Ofgem
9 Millbank
London
SW1P 3PR

13 March 2006

RIA on UNC Modification 006: Publication of Near Real Time Data at UK Sub-terminals

Dear Sonia

energywatch is writing in response to Ofgem's impact assessment on energywatch's modification proposal UNC006. energywatch remains of the view that the modification would better fulfil the relevant objectives and should be implemented.

energywatch believes that Ofgem's analysis has captured the key benefits and gives a feel for their scale. As you know, energywatch's own analysis has put the size of the benefits at a slightly higher level, but there is no doubt that the overriding conclusion is that the benefits significantly outweigh the costs.

energywatch is more than satisfied with the analysis performed by Ofgem and believes that Ofgem has properly considered the wide range of factors that underpin wholesale price movements. Clearly, it has had to formulate a number of assumptions to support the model, in order to produce meaningful outputs. Nevertheless, energywatch is satisfied that these assumptions stand up to critical examination.

energywatch believes that Ofgem has provided the community with many opportunities to consider and evaluate the costs and benefits associated with UNC006. The Impact Assessments and Case Study exercises have succeeded in drawing out all the key issues and arguments for and against the proposal and, in our view, built up an extremely strong case for implementation.

On the costs, we still feel that National Grid NTS (NG NTS)'s estimates seem high. As we have said before, this data is already being collected under the DTI initiative and it seems relatively straightforward to gather up the relevant data regularly and place it onto the web. We do recognise, however, that there are initial costs from the installation of meters and associated data collection equipment at terminals where NG NTS is not the owner of the equipment. We understand that NG is in the process of updating/improving the IGMS system and we seek confirmation that the monies budgeted for this upgrade have not been incorporated into the budget set for implementation of UNC 006.

We suspect that NG NTS may be attributing costs to implementation that should be reasonably treated as general IT costs under the current price control. We do not believe that there should be any double counting of costs in this respect. Similar to the question raised above, we seek confirmation that any projected investments to be made by NG are specifically related to the implementation of UNC006. We would be concerned if the costs provided by NG relate to enhancements that exceed the scope necessary to implement the Modification, such as speculative investment against further modifications seeking to release data to the market, or improvements made to the handling of current data flows.

energywatch has always appreciated and shared the concerns that have been expressed about the withdrawal of data from NG and the potential impact such action may have upon the efficient and economic operation of the transmission network. We were extremely disappointed that producers have asked for the return of data, under the TBE process, which was never subject to disclosure proposals. We remain of the view that any player that effectively holds regulators, or government, to ransom over market developments which are of clear benefit to consumers, is acting in a manner which is detrimental to the operation of effective markets and that this behaviour should be addressed as a matter of urgency.

In the meantime, it may be necessary for Ofgem and the DTI to be ready to act against any players who operate in a way that jeopardises the safe and efficient operation of the gas network. Were terminals to withdraw data, it may be possible to remove their exemptions from holding a GT licence, if this provides a quick route to the re-establishment of information flows that are vital to NG as the system operator.

Conclusions

If you wish to discuss any of the points raised in this letter please do not hesitate to contact me on 0191 2212072.

Yours sincerely

Carole Pitkeathley
Head of Regulatory Affairs