



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

Centrica Energy
Millstream East
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Tel. (01753) 431051
Fax (01753) 431150
Our Ref.
Your Ref.

17 March 2006

Dear Sonia,

**Re: 3rd Party Proposal: Publication of Near Real Time Data at UK sub-terminals.
Modification Reference Number UNC 006. Ofgem Impact Assessment.
Ref 22/06**

Thank you for the opportunity to comment on your Impact Assessment in respect of the UNC Modification Proposal 006.

British Gas Trading (BGT) remain unconvinced regarding the benefits of implementing this proposal, and certainly it would be very difficult to ever identify whether any future changes in market prices or participants actions were affected by the provision or lack of the information currently being debated. We remain unconvinced by the "benefits" identified by Ofgem both as to the scale of any benefit as well as the reality and validity of such benefits due to the implementation of this proposal. In particular we see no evidence to support the asserted benefits claimed by respondents to previous consultations upon which Ofgem's analysis appears to be based. We would recommend a post implementation review of the "DTI" information release exercise to both identify the benefits, problems and market impacts that this initiative may have realised and to ensure a clear baseline for any analysis of UNC 006.

We are disappointed that Ofgem continue to draw parallels between the gas and electricity markets which are not directly relevant, and to base their analysis on benefits that are not all related to this proposal. Looking in particular at the benefits identified by Ofgem (2.10), we would comment that:

- the information to be provided under this proposal a) does not give an indication as to the state of offshore supplies (or those behind an import point) and b) since the UKCS is in decline will reduce future benefits.
- With the time delays in parties' ability to respond to changes in the market, it is unlikely that there would be any change in NGG NTS role as residual balancer.
- Market volatility will not diminish (and more likely it will increase) as the level of rumour will increase due to the increase in data to the market without relevant detail accompanying it.

- As there is no real data provided by this change other than more quickly identifying when and where flow rates have changed, the market understanding is unlikely to improve significantly. There is more likely to be increased volatility in the short term which may cause some players to exit the market.

Our main areas of concern remain around the likely impacts of these actions, and in particular the impacts on the forward curve. Since the data being proposed to be released relates to within day real-time events and performance it is unclear how this would be translated into impacts on the longer term market.

Looking at the specific questions raised by Ofgem, we respond as follows:

- 1) Ofgem have tried to carry out the appropriate analysis. However, with a topic such as this only the costs (such as those of NG) are very clear. Estimates of benefits are subjective, based upon personal views of likely impacts and are impossible to challenge on an analytical basis.
- 2) Based upon the answer to Q1, there is little additional analysis that we would recommend. However as stated above, PIR of previous initiatives to clarify benchmarks and baselines would have been appropriate.
- 3) We believe that the Ofgem assumptions are not necessarily consistent with the proposal. The data to be released will only identify changes of flows at entry points. There is no description accompanying the data as to the reason for the change and if it is unplanned the likely duration of such a change. The market therefore has no greater knowledge on which to base its actions (and statements such as 2.32 are clearly flawed). Other assumptions such as (2.23) that I/C flows, storage flows and Zeebrugge prices are not affected by UK prices are clearly erroneous.
- 4) We believe the benefits identified from the modelling analysis appear overly optimistic.
- 5) It is difficult to assess the value of the January Consultation. However, it is beneficial to have a clear understanding of Ofgem's thinking and intentions as soon as possible on these issues.
- 6) NGG NTS assumptions seem logical. We have no information to challenge the quoted costs for the identified needs but assume they apply best procurement practice to such activities.
- 7) As for the answer to Q6 above we are not sure we have a better view than NGG as to the IS needs and appropriate level of resilience in the provision of the data to the market.
- 8) Since we believe that Ofgem's quoted benefits are excessive, and there is little evidence to support the likely nature of the other costs that users may face and or the risks associated with the implementation of this proposal we are not persuaded that the correct conclusions have been reached.

We note the comments regarding legal drafting of the proposal and whilst we have not carried out a detailed review, we believe that there are ambiguities in the legal language whereby the intended effect may not be achieved. For example it is unclear whether the 10mcm threshold refers to actual flows recorded at a location; the potential flows based upon connected fields; or, the potential throughput based upon the sizing of the NTS at that location. Since the UKCS is in decline and it will be imported volumes that are likely to set market prices in the future, we are unclear how this data will help in respect of those supplies.

As we have stated in our previous responses to the varied consultations that have been carried out in respect of this proposal, whilst BGT supports greater release of data to the market both in the GB and continental markets we are not convinced that this proposal is beneficial. BGT believe that pan-european initiatives to improve information release and market transparency are more likely to achieve the intended results of this Modification Proposal than the changes proposed. We would encourage Ofgem to initiate a debate that could identify the data that is most relevant to the market, assess its availability in the GB and continental markets and then identify an action plan to ensure a consistent provision of this data. As such an ERGEG initiative on information release for gas, along the lines we have seen recently for electricity could be useful.

Should you wish to discuss any of our comments, please do not hesitate to contact me.

Yours sincerely,

Simon Goldring
Commercial Manager