



CHEMICAL INDUSTRIES
ASSOCIATION

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Sonia Brown
Director, Wholesale Markets
Ofgem
9 Millbank
London
SW1P 3GE

Kings Buildings
Smith Square
London SW1P 3JJ

Telephone: 020 7834 3399
Fax: 020 7834 4469

Direct phone: 020 7963 6736

Direct fax: 020 7834 8587

e-mail: leedhams@cia.org.uk

www.cia.org.uk

**POTENTIAL NEW GAS SO QUALITY OF
INFORMATION INCENTIVES**

Dear Sonia

The CIA welcomes the opportunity to respond to this consultation. For many chemical companies the NGG website is the only source of data that they have access to inform them of the operation of the UK's gas market and the supply/demand position. We therefore feel that it is vital that consumers have access to both accurate and timely information and fully support Ofgem's proposals. Our comments on Ofgem's specific questions are:

Question 3.1: Do you agree that the scope of potential benefits from improved quality of information is correct?

The CIA believes that Ofgem has accurately identified the scope of potential benefits from improved quality of information. As stated earlier many CIA members are solely reliant on the NGG website as a source of independent information in relation to the UK's gas market, and so unavailable or inaccurate information could have a detrimental impact on their operational decisions.

Question 3.2: Do you agree that the potential benefits from improvements in demand forecasting accuracy are quantified appropriately?

The CIA believes that NGG's demand forecast provides an important information source for gas market participants who are unable to develop their own demand outlooks, and so its inaccuracy can have a significant impact on prices. We agree with Ofgem that improving this information will reduce costs to consumers on "tight days" and improve NGG's balancing decisions.

Question 3.3: Do you agree that the potential benefits from improvements in website performance are quantified appropriately?

The CIA agrees with Ofgem that the key issue with this information is equality of access, and we would like to encourage Ofgem to ensure that going forward commercially critical information is shared with the market at the same time. The CIA agrees with Ofgem's quantification, and would note that we raised 35 separate issues in relation to the availability, or timeliness, of the essential reports identified by Ofgem, equating to a cost of £63 million.

Question 4.1: Do you agree with the choice of performance measure for the gas demand forecasting accuracy and website performance incentives?

The CIA believes that Ofgem have accurately identified the correct performance measures for the gas demand forecasting and website performance incentives. However we would question whether the 50:50 weighting of availability to timeliness is correct for website performance. In general the CIA and its members found that the Daily Summary Report (DSR) page was



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reasonably reliable during the winter of 2005/06, having only recorded 3 instances that it was unavailable. We believe that information that is not up to date or accurate is of little value to the market, and would note that the majority of our “complaints” focused on timeliness of information. We therefore believe that Ofgem should adopt a weighting of 25:75 availability to timeliness in its website performance measure.

Question 4.2: Do you agree with the proposed scope of both of the proposed incentives?

The CIA recognizes the need to identify the “quick wins” in time for the coming winter, and so believe that the proposed scope of the incentives is acceptable as a short-term solution. Going forward we believe that greater emphasis should be focused on equality of access and additional reports that “sit behind” the DSR page, such as storage monitors, NTS End of Day Flow reports and the data released through energywatch’s UNC proposal.

Question 4.3: Do you agree that the incentives should not be weighted towards any specific period within the duration of the incentive?

The CIA believes that availability; accuracy and timeliness of data are important throughout the winter and so agree that the incentives should not focus on any specific period.

Question 4.4: Do you consider posting of key data within 20 minutes of real time to be an appropriate measure of timeliness to use in the website performance measure?

The CIA believes that posting of key data within 20 minutes of real time to be an appropriate measure of timeliness for this winter as this would represent an improvement on the winter of 2005/06 and would be a challenging target. Going forward we would hope that Ofgem would incentivise NGG to publish this data at close to real time.

Question 4.5: Do you consider Option 1 or Option 2 of the demand forecasting accuracy incentive to be most appropriate?

The CIA notes that NGG is required to publish this information under the UNC, and so would question whether UNC should only be rewarded for complying with their licence. We agree with Ofgem that an incentive approach is the best way of encouraging improvement on past performance, and we also want to ensure that performance does not deteriorate. We therefore believe that option 2 is the most appropriate incentive, and would encourage Ofgem to adopt a symmetrical cap and collar.

Question 4.6: Do you consider Option 1 or Option 2 of the website performance incentive to be most appropriate?

The CIA does not believe that a website performance ranking of 83rd out of 100 is acceptable for the provision of operational data. We believe that National Grid should be financially encouraged to improve their website performance, and should also be penalised if their performance deteriorated, and so we would encourage Ofgem to adopt incentive option 2.

Question 4.7: Do you agree with the proposed duration of the incentives?

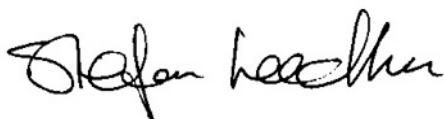
The CIA believes that these incentives are appropriate for this winter, but that they could be improved in the longer term. We therefore feel that the proposed duration is appropriate.

Question 4.8: Do you agree with the proposed method of recovering any resulting cost from these incentive schemes?

The CIA believes that the SO Commodity Charge is the appropriate method of recovering any costs associated with the incentive scheme.

I hope you find these comments useful, and I would be happy to discuss them with you in greater detail if required.

Regards



Stefan Leedham,
Business Analyst