

Regulation on Wholesale Energy Market Integrity and Transparency (REMIT)

Oil & Gas UK represents companies in the exploration and production (E&P) sector of the oil and gas industry in this country. Its members extend from the largest, international oil and gas companies through independent explorers and producers, utilities with E&P subsidiaries, drilling companies and a very wide range of supply chain businesses, more than 330 in total.

We have pleasure in replying to Ofgem's open letter of 15th March 2013 about REMIT. The majority of Ofgem's questions are better answered by others; indeed, we would not be able to answer some of them. However, we would like to answer Question 7 concerning the threshold for disclosure.

Q.7: What is an appropriate GB gas market threshold for inside information disclosure and why?

GB's gas market is the most open, liquid and competitive of all in the EU. While not perfect, it is a model which others look to emulate. It has stood the tests of time and, in recent winters, a wide range of difficult circumstances: the public dispute between Russia and Ukraine at the beginning of 2009, the coldest winter for more than 30 years in 2009-10, the coldest start to any winter for at least 100 years at the end of 2010, a shortage of gas in mainland Europe during the first half of February 2012 when Russian supplies were inadequate and the coldest March for 50 years in 2013.

Of particular note recently was the ability of GB's market to react to the temporary failure of Inter-Connector supplies from Belgium on the morning of Friday 22nd March when demand was high owing to the continuing cold weather.

Among the attributes is the availability of information to which REMIT is already contributing. Under GB's well tested arrangements, flows are measured by National Grid in real time (to all intents and purposes) at each system inlet with a capacity of 10 mcm/d or more and this information is published on NG's web-site. Thus, all significant supplies entering the NTS are covered and the flows are made public. One of the benefits of this arrangement is that supplies from various sources are often combined into one pipeline before entry to the NTS and, therefore, the capacity threshold of 10 mcm/d at entry to the transmission system enables many smaller individual flows to be observed, albeit in aggregate.

We believe that these arrangements have proved their worth in a wide variety of circumstances, but most particularly under some very trying conditions. We, therefore, propose that the present disclosure arrangements should persist and that 10 mcm/d should be the appropriate threshold for inside information purposes.

We trust that Ofgem will take these views into account in any future considerations.