



Shippers, relevant gas transporters
and other interested parties

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Dear Colleague

Uniform Network Code (UNC) Modification Proposal 006 “3rd Party Proposal: Publication of Near Real Time Data at UK sub-terminals”¹

At its July meeting, the Authority considered the modification proposal raised by energywatch, the energy customer watchdog, to make publicly available more information about the operation of the gas market. energywatch’s proposal would require Transco NTS to publish to third parties real time data about deliveries of gas from UK sub-terminals where flows are greater than 10mcm/day. The purpose of this letter is to set out the way forward in relation to this modification proposal.

Having carefully considered the final modification report and the representations that Ofgem has received on this matter, the Authority decided to postpone taking a final decision on this matter. The reasons for this decision are set out in this letter. The Authority also confirmed that a further consultation in respect of the proposal will be undertaken in late January/early February 2006. The Authority expects to take a final decision on this proposal in April 2006.

The Authority noted that there was a clear division of views between companies with significant gas production interests and the views of customer groups and those companies with downstream interests (i.e. shippers and suppliers). There was agreement amongst respondents on the general principle that greater transparency would benefit the gas market and promote more economic and efficient operation. There was, however, disagreement over whether greater transparency was necessary or beneficial to the extent that energywatch proposed. Those with gas production interests were concerned that the information intended for release under the proposal was commercially confidential and should not therefore be released to third parties.

¹ The modification proposal was originally raised as modification proposal 0727 under Transco’s network code. As a result of National Grid Transco’s sale of four of its Gas Distribution Networks, the Network Code has been replaced by a Uniform Network Code (UNC) that sets out the commercial and operational arrangements for Transco NTS’s remaining networks and the new independent networks. As a result of this change, all existing Network Code proposals were re-numbered and this proposal was numbered as UNC modification proposal 006.

Having carefully considered all of these views, Ofgem considers that the release of near real time sub terminal data is likely to promote the relevant objectives of the UNC. Ofgem considers that information transparency is an important part of any efficiently functioning competitive market. In this respect, Ofgem welcomes the intention of the proposer to seek to facilitate greater information transparency and improve information symmetry within the GB gas market.

However before making a final decision on whether or not to approve or reject the proposal, the Authority has decided that further assessment of the information that is now made available is required. The amount of information released to third parties about the operation of the gas market has recently increased. From 29 June 2005, additional information has been published on an hourly basis and aggregated into two zones, 'north and south'. This information is effectively an aggregated 'snapshot' of the relevant recorded physical flows and is published approximately 15 minutes after the hour. This information has been released under the final phase of the DTI/UKOOA voluntary agreement on information release.

The Authority noted the views of respondents to the various consultations that stated it was too early to determine whether this proposal would represent an enhancement over the information that is already released given the recent change in the amount of information released. The Authority agreed with a number of respondents that it is important to assess this proposal against the new baseline of information available to the market.

Ofgem will therefore conduct a further consultation in respect of the proposal in late January/ early February 2006 to understand and better assess market participants', including customers', views on the value of the incremental costs and benefits of this proposal. The Authority intends to take a final decision on the Proposal in April 2006 after this further consultation.

On the basis of the information currently available, Ofgem's initial view is that Transco NTS's estimate of the costs associated with development and the implementation timetable appear excessive. Ofgem therefore urges Transco NTS to consider further its costs and proposed implementation date and to discuss any revised estimates at workstream discussions over the coming months. If the Authority decides in April to direct the implementation of this proposal, it anticipates, based on the information currently available to it, that it would be likely to stipulate 1 October 2006 as the implementation date for the proposal to ensure that this further period of assessment will not affect the proposed implementation date.

Finally, Ofgem has noted the concerns raised by a number of respondents that it was unclear whether the legal text of the Proposal correctly delivers the agreed intent of the Proposal. The Authority's decision to consult further on this proposal should provide the Joint Office (the organisation responsible for administering the UNC) adequate time to discuss the legal text with interested parties and, if necessary, provide revised legal text for the Proposal ahead of the final decision being taken by the Authority.

If you have any questions concerning this letter please feel free to contact Sonia Brown on 0207 901 7412 or Jo Witters on 020 7901 7159 who would be happy to help.

Yours sincerely



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