

## **Representation For. 0006(0727)**

"3rd Party Proposal : Publication of Near Real Time Data at UK sub-terminals"

Version 2.0

**Date of Communication:** 02/03/2005  
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**Slant:** Against  
**Strictly Confidential:** No

### **Abstract**

Network Code Modification Proposal 727; Publication of Near Real Time Data at UK Sub-Terminals

Dear Julian

BP is fully supportive of the principle of market transparency and has participated actively in work to improve information disclosure relating to gas production and its delivery into the National Transmission System (NTS).

### **Existing three phase information disclosure agreements.**

During late 2003 and early 2004, through UKOOA, BP took part in wide ranging discussions initiated and chaired by the DTI, involving Ofgem, Transco and UKOOA members. This three phase debate is referenced in the Draft Modification Report.

These discussions resulted in agreements for significant further information disclosure. As a result more information is now being made available under phase three to assist Transco with the planning and operation of the NTS. Of the four categories of data under phase three, two are already available and the final two will soon be available to the wider market. It is important to recognise these agreements, and the discussions that accompanied them, as they are particularly relevant to this Modification Proposal.

As context it is also worthwhile noting that with regards to maintenance co-ordination, cross infrastructure and field co-ordination would take place in an emergency situation as part of the DTI gas supply crisis management procedures.

### **Confidentiality, liability and commercial sensitivity**

Throughout the three phase information disclosure discussions, there was recognition by and agreement among all parties that, if detailed information relating to individual company's operations were to be released deliberately or inadvertently to the market, it would cause legitimate and significant concerns regarding commercial confidentiality and liability for any resultant use of the information.

This recognition was clearly set out in Ofgem's letter of 23rd October 2003, DTI's Minister for Energy's letter of 7th November 2003, letters from UKOOA's individual members to both the Minister for Energy and Transco in March 2004 and Ofgem's letters of 23rd March and 15th

April 2004 relating to its consultation on a temporary derogation to SC 4E of Transco's GT Licence.

In addition BP is of course bound by competition law and contractual commitments entered into with numerous other parties. It was for these reasons that agreement was reached in the phase three discussions that data should be aggregated into two zones, north and south. Additionally, this aggregation maintains the confidentiality of the information, a point which was recognised by all participants in the discussions. In the event of non aggregated disclosure of information, it is likely that operators would have to consider whether it was necessary to recall information previously disclosed and to re-consider whether appropriate safeguards were in place to permit them to continue to provide the data. This would not be in the interests of improving the operation of the market.

In the Modification Proposal energywatch states that

"energywatch understands that the nature of some contracts, being field and beach specific, could result in buyers of contracts gaining some commercial advantage over some sellers. energywatch considers that, to the extent that such issues exist, these contracts can be renegotiated", and in addition state

"energywatch feels that without the knowledge of producers' actual delivery contracts (which can be renegotiated) information on sub-terminal flows creates risks that they are not well placed to manage."

However far from viewing these issues as simple to resolve as is intimated by Energywatch, we believe that they are in fact fundamental, and relate to a complex array of contractual and commercial arrangements between large numbers of parties, every one of whom would have to be willing to take part in an extensive exercise of renegotiations. Any such negotiations would be extremely costly and time-consuming and would be likely to divert resource away from ensuring new fields are developed in a timely manner and in accordance with the new ICOP (Infrastructure Code of Practice).

It is also necessary to consider the question of liability for the accuracy and use of the data. These are issues for which there are no simple answers. We understand that Transco has significant reservations, as do UKOOA members who are most unlikely to agree to this information being published if it exposes them to liability for its accuracy and use. Energywatch does not mention them or the implications. Again, these matters and their consequences were central to the three phase information disclosure discussions. With reference to data ownership Transco has set out in section 1.2.2 of the Draft Modification Report the position regarding data ownership, confidentiality and liabilities reflecting the conclusions drawn by the parties to the three phase information disclosure debate.

The above substantial legal, contractual as well as the technical issues below would need to be overcome in order for this Modification Proposal to be implemented successfully.

### **Timing issues**

The benefits of implementing phase three are not yet known, and will not be for some time. Until these are known, BP questions the benefit of further information disclosure. In our view it would be prudent to carefully assess the implications of phase three and utilise the analysis to better inform decisions about the need for further information disclosure.

## **Cost-benefit analysis**

The cost-benefit information provided by Energywatch in their Additional Information Paper dated 5 January 05 does not separate out the benefits anticipated to result from full implementation of phase three information disclosure. It therefore follows that the costs/benefits for the Modification Proposal have been calculated using an incorrect baseline and that as a result the possible benefits of the Proposal are overstated.

The figures provided are very similar to those used by Ofgem in its current consultation on information disclosure (dated February 2005) which were apparently derived by Barclay's Capital in December 2003, several months before agreement on phase three information disclosure was reached in March 2004. This further supports the view that the benefits of the Modification Proposal are overstated.

We also note that calculation is reliant upon extremely broad assumptions. It is stated that "Taking DTI and Ofgem's assertions that increased competition can reduce prices by 0.5% ".- We remain to be convinced that this fundamental and pivotal assumption is appropriate and would value a greater understanding of the rationale used to verify the appropriateness of this key assumption

## **Market impact**

BP does not support the forced publication of information which may prove to be inaccurate or misleading to the market. This will only serve to put pressure on prices and increase market volatility and thereby be detrimental to efficient functioning of the gas market.

We note that the Proposal seeks the disclosure of information at sub terminal-level, but we remain to be convinced that disclosure at this level would provide additional benefit, bearing in mind that the UK gas market is traded at NBP and not at sub-terminal level.

## **Technical issues**

Transco has detailed its reservations about technical matters in sections 1.2.3 and 1.2.4 of the Draft Modification Report, and the need, in the interests of accuracy, to publish category one information of phase three hourly rather than in real time. It is particularly important to take into account the following points made by Transco in these sections.

"Transco does not own the majority of measurement equipment that is used to monitor flow data and the accuracy and reliability of the equipment is not guaranteed. The telemetry included within the measurement equipment varies and may momentarily miss electronic "pulses" that are used to record instantaneous flows and thus register the flow as zero or, not register the flow at all. Dependent on the timing and the sub-terminal at which this particular problem might occur, any flow data that is subsequently published would be inaccurate and potentially provide misleading signals to the market. The metering arrangements and telemetry equipment vary between sub-terminals and are of various types."

"In order for market participants to correctly interpret the sub-terminal flow data, it would be necessary to understand the various parameters associated to those meters, for example, the type of metering (integrated versus instantaneous), pulse rates, quantities, meter accuracy and measurement tolerances. Of further consideration is that several of these parameters might be affected by factors such as the physical operation of the pipeline or mechanical failure."

## **Comparisons between gas and electricity**

It is important to recognise the differences between gas and electricity both physically and in the associated market arrangements. In this regard we would reiterate the following comments made by Transco in section 2.0 the Draft Modification Report.

"As part of its justification for this Modification Proposal, the Proposer suggests that it is seeking to align the provision of information across the gas and electricity markets. This should be carefully considered in the context of the different physical arrangements and commercial regimes that exist between the two markets; and in particular, the difference between gas and electricity in respect to trading within the balancing period."

"Whilst this Modification Proposal is seeking the publication of sub-terminal flow information, it is worth noting that this type of information (telemetry /real-time flow) is not published in the electricity market."

### **Conclusions**

BP believes that this Modification Proposal raises complex issues, many of which have been the subject of wide ranging discussions in the past.

It is important that the implications of the agreements reached under the three phase 03/04 information disclosure debate are fully understood before further disclosure is considered. This can only be done once agreed disclosure has been fully implemented and the effects subsequently analysed.

We consider the Proposal as potentially damaging to the industry. It does not appear to us credible to propose to publicise information at sub-terminal level when the prejudicial impact of doing so has been clearly recognised in previous discussions. In our view this proposal can be expected to jeopardise the significant gains made in earlier phases of the information release discussions.

We believe that information disclosure proposed in the Proposal would potentially expose Transco and others to claims for breaches of confidentiality and liability risks relating to accuracy and use of such information. The need to avoid these consequences which would undermine the existing agreement was clearly recognised by the parties participating in the three phase information disclosure debate.

The cost-benefit analysis raises a number of issues, and it appears that the benefits are overstated. It is in our view essential that the benefits attributable to this Modification Proposal and those attributable to the three phase information disclosure debate are clearly separated. Only by doing this can the merits of this Proposal be accurately determined and can it be established whether the existing three phase agreement will deliver the bulk of the benefits claimed for this Proposal and at a lower cost and without exposing any parties to the risks relating to confidentiality and liability.

For the reasons stated above, BP does not support this Modification Proposal.

Our response is not confidential and may therefore be placed in your library and on your website. We trust that the above comments will be of assistance in compiling the Final Modification Report. Please do not hesitate to contact the undersigned should you wish to discuss the contents of this letter further.

Yours sincerely

David Slack

Manager UK Regulatory Affairs