



Response to Network Modification 727: Publication of New Real Time Data at UK Sub-Terminals

Ciba Specialty Chemicals, as a major chemical manufacturer in the UK, uses significant quantities of gas in our industrial processes. Several years ago, in response to increasing gas prices, we moved from long-term, fixed price contracts to gas purchases on the spot and futures market. We are therefore pleased to respond to the proposed modification, as the current variability and uncertainty of gas prices is having a significant impact on our operations.

In essence, we support wholeheartedly the Energywatch proposals. As an end-user we are frustrated by the lack of transparency in market data. We often become aware of rumours and speculation that feed the market, without substantiation through real-time information. This lack of transparency results in a perceived distrust of the market by consumers.

In recent months we have witnessed many examples of inexplicable operation of the market. Recently, towards the end of February, with UK gas demand well within Transco's forecast seasonal and normal demand, and an oversupply to meet that demand, there was no rational explanation as to why gas prices approached £1 / therm. Greater transparency such as the measures proposed would improve confidence levels of end-users such as us.

In any market, the more information available, particularly up-to-date information, the more competitive it will be. Greater competition should lead to a more efficient market, which should be beneficial to all participants. Whilst we can understand that the release of all the information proposed by Energywatch will not result in a perfect market, any improvements that move towards a more efficient market must be encouraged. Any difficulties in implementing the modifications should be seen as problems to be resolved rather than barriers that prevent change.

Greater transparency within the market would be obtained by these modifications, and these would result in reduced barriers to entry from all participants; producers, suppliers and end-users. Again this should result in a market which operates more effectively than at present.

With more real-time information available to all market participants, the price set by the market will more accurately reflect the current market conditions. If prices are reflecting true market fundamentals, this will provide clearer signals to the producers, thereby maximising the efficiency of utilisation of limited production sources.

Finally Energywatch have provided cost estimates for the proposals at £20 Million, compared with annual benefits of £265 Million. On this basis, the benefits clearly outweigh the costs.

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Value beyond chemistry



For the above reasons we hope that the proposal will be considered favourably as it will provide a real change that will improve a discredited market.

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