

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
External Contact: Peter Davis (ChevronTexaco)
Slant: Against
Strictly Confidential: No

Abstract

ChevronTexaco is supportive of the structured release of data under the provisions of the UKOOA / DTI / Ofgem / Transco initiative, however we can not support the proposed Mod 727 because we have a number of key concerns, as follows:

1. The proposed Mod 727 does not take into account the impact of the Information Disclosure regime recently agreed by Ofgem, Transco, DTI, & UKOOA to improve the provision of information about gas production and delivery into the NTS. Mod 727 appears to move to a pre-determined end point without waiting to see what benefits flow from the new Information Disclosure structure, which only started to be implemented late last year with several aspects due for introduction in July 2005.
2. The cost-benefit analysis provided is flawed on two counts. Firstly, it's based on the premise that benefits "can" arise were the Proposal to be approved. No evidence or opinion is offered of the likelihood of such benefits being delivered. Secondly the cost-benefit analysis starts from a position of zero information provision, and doesn't take into consideration the steps already agreed by Ofgem, Transco, DTI & UKOOA to improve information disclosure, as mentioned above.
3. ChevronTexaco has a serious concern that the provision of additional raw information, possibly out of context, may lead to more volatile spot gas prices, as markets will react to raw data. No assessment is made of the likelihood of this outcome and the impact of such volatility, either on day-to-day trading or the longer-term relationships between gas suppliers and their customers.
4. ChevronTexaco recognises that high prices can cause concern, but this Modification Proposal doesn't take into account the effects that price signals have on a wide range of market activity, including the encouragement of energy conservation. As pointed out by Ofgem in their recent report into the 4Q03 gas market, 'rising prices can signal the need for new investment in gas production and storage'. Although uncomfortable in the short-term, higher gas prices can contribute to an increase in longer-term Security of Supply for the United Kingdom.

ChevronTexaco believes that this Modification Proposal does not demonstrably further the interests of either industry or consumers and we look forward to this Modification Proposal being rejected.