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Julian Majdanski,
Modification Panel Secretary

Via E-mail

2nd March 2005

Dear Julian,

Modification 727: Publication of Near Real Time Data at UK Sub-Terminals

ConocoPhillips does not support modification proposal 727 although we do recognise the proposer's broader agenda of consumer protection. energywatch's proposal is an incremental change to information release; the greatest contribution has already been achieved through the initiative agreed by the offshore community with the DTI, Ofgem and Transco and to be implemented fully by Q3 2005.

The calculation of the additional value gained by the incremental change proposed by modification 727 has not been provided through the cost-benefit analysis. The benefits of the proposal are misleading, as the cost-benefit analysis does not include the merits to be achieved through the full implementation of the above initiative.

Furthermore the proposer of the modification has not demonstrated how moving from the market knowing flows aggregated north-south, to sub terminal level, actually results in a lower cost of gas to UK plc. In fact, aggregated flow data into north and south zones may provide the optimum level of granularity, avoiding significant market volatility that could arise through publication of real time flows at a sub-terminal basis. Sub-terminal gas flows may vary through the gas day due to unplanned and planned operational issues arising. For example, a change in flow rate at a sub terminal may lead market participants to undertake action, thus increasing volatility and costs, due to being under the false impression that a change in supply i.e. unplanned maintenance has arisen, however in reality the decrease in flow was due to for example, 'sphering' a pipeline.

COP has actively participated within the discussions through UKOOA to improve the provision of information regarding gas production and its delivery to the NTS. The discussions to publish the four categories of information led to issues of data ownership, confidentiality, accuracy and liability having to be

dealt with. These issues arise yet again when considering modification 727. COP believes energywatch's suggestion that "these contracts can be renegotiated" may not be a practical solution as it assumes that both parties to a contract are willing to participate in the process of renegotiation and this may very well not be the case. The suggestion also does not take into account the time and cost involved with numerous contracts.

The proposal also fails to take into account the rapidly changing nature of the UK gas market. Imports will become progressively more important. These will be via new LNG terminals (Milford Haven area may supply up to 30% of UK demand) and new and upgraded pipelines such as Langeled and the Interconnector (together around 50%). There will be less reliance on supply from individual North Sea fields and as such likely to be more consistency in supply. Any need for sub terminal flow data is thus diminishing quickly.

To conclude, COP would like to propose evolution rather than revolution. We believe it is appropriate for all four categories of the information release to be implemented and time allowed recognising the benefits. Only after this period should additional information release be considered, including a well-worked cost-benefit analysis incorporating tangible (not vague high level) examples of how such incremental information will further Ofgem's objectives.

Yours sincerely,



Rekha Patel
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