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Julian Majdanski
Modification Panel Secretary
National Grid Transco
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02 March 2005

Dear Julian,

Network Code Modification Proposal 0727: Publication of near real time data at UK sub-terminals

Statoil (U.K.) Limited (STUK) welcomes the opportunity to respond to this modification and would like to make the following comments.

STUK is supportive of increasing information provision to the wider market where the concerns of all participants of the markets have been considered and addressed. STUK cannot, however, support this modification proposal as it will not deliver significant benefits beyond the voluntary arrangements already developed through the DTI information initiative.

The proposal does not address the asymmetry of system information present in the market and will lead to further delays in the release of any information by up to three years as suggested by Transco in their draft modification report.

DTI Information Initiative

Considerable time and effort was expended during the discussions that took place throughout 2003 and 2004 in order to reach agreement from all parties (DTI, Ofgem, UKOOA and Transco) as to an acceptable way forward to address the concerns of Transco and Ofgem that more information was required from upstream. As a result of this process the 3 phase voluntary approach was developed. The final element of



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this approach was to release real-time flow information on a zonal (north/south) basis. Once this was agreed it was up to Transco to implement the necessary changes to make the information available. Transco made it clear that this could not be achieved immediately and as a result would take until Q3 2005 to produce the required information.

The energywatch modification clearly undermines this process and raises again the same issues of commercial confidentiality and liabilities which were discussed at length in these meetings.

Furthermore it is clear that as the UK becomes more dependant on imported gas the publication of information in one market could have implications in others. This could lead to inefficiency that could undermine the development of competition in other European markets and increase costs to those markets significantly.

energywatch analysis

energywatch make a number of claims in the paper attached to the draft modification report. The paper claims that demand side information is widely available in the UK. While there is significant demand side information available this is forecast end of day information. Transco publish its demand forecasts throughout the day as well as projected closing linepack figures and probabilities of interruption but these are only forecasts. Transco do not publish real-time information on the demand side within day. In order to analyse the supply demand balance in the UK and any potential regional differentials both supply and demand is required. As a result a significant improvement in demand side information would be required even to meet the voluntary solution achieved through the DTI at entry.

Failure to provide both supply and demand side information will lead to inefficiencies and greater volatility as shippers respond to changes in the supply side without accounting for the net affect on the system.

The energywatch analysis also concludes that BETA is a useful comparison for the affects of increased competition will bring to the market. STUK do not consider this to be an appropriate comparison. BETA will increase competition by including generators in Scotland in the arrangements currently used in England and Wales thus broadening the market. Increasing the level of information on the supply side in the gas industry (beyond that already due to be issues by Transco under the voluntary agreement) cannot be an appropriate comparison as it is not on the same scale.

It is not clear to STUK that the release of sub-terminal specific data would create a narrowed buy sell spread as claimed in the energywatch paper. Given that flows through sub terminals can change for many reasons (buyer renomination, production problems etc) failure to correctly interpret changes in beach supplies could create increased volatility and widen the spread.



Further benefits are claimed through the improvement in coordination of maintenance between Transco and Producers. However, Transco and producers already coordinate maintenance periods and Transco are incentivised through capacity buybacks to efficiently manage their maintenance periods.

STUK recognises and understands Transco's concerns regarding the commercial and technical issues which inhibit them from supporting this modification proposal. In particular STUK share concerns over the confidentiality and liability issues.

Ultimately such a proposal will further delay the implementation of the voluntary proposals already achieved and could increase the levels of uncertainty and volatility in the system. As a result STUK do not support this modification.

Thank you for the opportunity to comment on this modification. If you wish to contact me in connection with the above modification please contact me on the above number.

Yours sincerely

Robert Cross
Regulatory affairs manager



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