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Dear Bob,

**Modification Proposal 0292
Proposed Change to the AQ Review Amendment Tolerance for SSP Sites**

Thank you for providing Scottish and Southern Energy plc (SSE) with the opportunity to comment on the above Modification Proposal.

SSE is supportive of Modification Proposal 0292 and also supports implementation of this proposal in time for the 2011 AQ review.

Over the past few years gas demand has been falling year on year, and the end result of this is that any AQ values that are not reviewed for a shipper during the gas year will, in aggregate, overstate AQ values for that shipper, potentially resulting in an inaccurate allocation of gas and transportation charges. Also, even where readings are obtained there can be a significant period of time before the new AQ values go live, of up to 18 months, even though a shipper may have subsequent reads, but which cannot be used for AQ review purposes due to the 20% AQ review amendment tolerance. It should be a fundamental feature of the AQ review that the most up to date consumption data should be used to set AQ values where possible, taking account of the current data processing constraints within the industry.

One of the reasons behind the AQ review amendment tolerance 20% rule being introduced back in 2003 was the assumption that any amendments below this limit would be roughly equal in over and under allocating gas to shippers. Due to the fall in demand this is not the case, and is borne out by the industry AQ review behaviour figures from the last few years which show significantly more downward than upward amendments and also general reductions in AQ values.

SSE agrees with the proposer that the current reports provided by the mod 81 process are sufficient for monitoring shipper behaviour, and this data, together with the annual data provided by xoserve on the AQ review process, is still adequate if this lower AQ amendment tolerance of 5% was to be introduced.

Potential stumbling blocks to this mod being introduced were that xoserve may not have been able to process the extra amendments during the AQ Review window, and also obtaining broad agreement within the industry about how the volume cap for each user would work, including how any spare capacity would be allocated amongst shippers. During recent discussions at Distribution Workstream meetings, both of these obstacles appear to have been overcome.

SSE agrees with the proposer that this proposal would ensure more accurate allocation of costs, with AQs being set that are more reflective of customer usage, and that this would have the benefit of meeting the relevant objective of securing effective competition between Shippers and Suppliers.

SSE believes, therefore, that this modification should be introduced at the earliest opportunity.

Please do not hesitate to give me a call if you wish to discuss this further.

Yours sincerely,

Mark Jones