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Julian Majdanski  
UNC Modification Panel Secretary  
Joint Office of Gas Transporters  
Ground Floor Red  
51 Homer Road  
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Dear Julian

### **Modification Proposal 0090**

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

SSE is not supportive of the proposal.

SSE does not think that this modification will further the relevant objectives compared with the current arrangements. Our reasons are described below:

- The three year lead time will reduce the certainty for consumers and/or shippers to enter into tenders for interruption. The existence of limited competition in Interruptible services could mean that offers in some locations may not represent an economic valuation of customers' opportunity costs. The incentivised DN response might be to invest beyond the truly economic level which would in turn lead to an increase in costs to consumers.
- The main reason for the reform of DN exit arrangements has been given as excessive booking of interruptible capacity. However, as a peak winter has not occurred and this has not been proven SSE does not agree with this rationale. Nevertheless, it is expected that less interruptible capacity will be contracted for than is currently the case. As a result less interruptible capacity will be available at Stage 1 of a Network Gas Supply Emergency. This will lead to a rapid escalation to stage 2 & 3 of an emergency. SSE believe that implementing this reform will have unintended consequences leading to a reduced level of security of supply.
- The arrangements will be more costly to administer than current arrangements with standard contracts.
- The extension of ratchet and overrun charges to all sites because all sites will be deemed firm will increase the risk and hence cost to shippers.

- Where customers have alternative fuel storage but have not been selected for interruptible services by the DNO, the customer will have stranded assets, this extra cost will further disadvantage UK business. Or the assets will be decommissioned permanently losing that component of demand side flexibility for the UK market.
- Implementation timescales means that there will be fundamental reform of NTS Exit and DN Interruption at the same time, and it is not clear how these two reforms will interact and operate in the future. SSE are concerned that the interaction of the two regimes may lead to an inefficient approach to the operation of and investment in the respective networks and that this will create unnecessary costs for customers.

However, if DN interruption reform is implemented SSE consider it vital that the same regime is implemented across all DNs and that a tender approach is utilised to allow unconstrained, cost reflective market prices to be realised.

Yours sincerely

Jeff Chandler  
Energy Strategy