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Modifications 115 and 115A

Thank you for the opportunity to respond to the above Modification Proposals. ScottishPower has submitted one response covering our comments on the Proposals. For the avoidance of doubt ScottishPower support the implementation of Modification 115 and do not support 115A. Detailed below are our reasons why we have given our support to Modification 115 as opposed to 115A.

For sometime ScottishPower has been concerned regarding the level of reconciliation quantities flowing through RbD. We believe this is down to a number of factors, when taken together, create increased risk to the robustness and equitability of RbD settlement.

When the principles behind RbD were agreed, allowing for the initial period immediately after the completion of the introduction of domestic competition, it was anticipated that volumes requiring reconciliation would decrease with improvement to data quality. However, this has not been the case with volumes requiring reconciliation continuing to be unreasonably high.

At present unallocated energy relating to Industry issues such as theft, unregistered sites, metering, lack of iGT adherence to perform AQ updates and reconciliations and LDZ meter errors are applied entirely to the SSP market. We appreciate that a degree of rebalancing and adjustment takes place to correct deeming inaccuracies when meter readings are procured and applied within the LSP market, however evidence suggests that large volumes of energy relating to the above categories continue to reside within the SSP market sector.

From the data presented, both within the recent Ofgem RbD Review consultation and outputs from xoserve RbD verification presented to Industry Workgroups, it can be viewed that some of the principles that support the allocation process have become ineffective in apportioning volumes to the correct market sector. Ofgem has stated that before any widespread and potentially costly changes are made to the overall RbD settlements mechanism, that the Industry should take responsibility and drive forward change in areas where they believe improvements are required. With this in mind, we support the initiative taken by the Proposer of Modification 115 to develop a proposed change, which if approved, will spread the burden of unallocated energy to all Non-Daily Metering Supply Points. As it presently stands the SSP market sector is incurring the majority of the costs and risks. This consequently results in undue risk for RbD Shippers, impacts competition and ultimately results in high tariffs for domestic consumers. We

believe that the current level of risk is unacceptable and we support any industry initiative, which makes the reconciliation process more equitable

We do not support the argument put forward within Modification 115A that Supply Points that have monthly meter reading arrangements should be excluded from the proposed smearing across the NDM market. If this approach was to be adopted, Shippers could opt that all LSP are re-categorised as monthly read and therefore avoid the re-apportionment costs. This action would as a consequence result in an increased burden on the domestic market. It has been stated that issues such as theft and shipperless sites are not common occurrences within the Monthly Read market. Our experience is that instances of theft occur across all market sectors and while robust data on theft instances is lacking it would be wrong to exclude Monthly Read sites entirely from this issue. We believe that other issues such as unregistered sites significantly contribute to volumes of unallocated energy. We are concerned that large numbers of unregistered sites exist with no real incentives for the responsible party to make the necessary Supply Point confirmation. In addition within the LSP market, Shippers can avoid picking up energy costs back to the time of meter installation and original offtake start point where a meter reading is submitted within the registration file. The Industry as a whole requires taking responsibility for these issues and with the appropriate incentives in place the overall level of risk to the NDM market should be reduced.

OPERATION OF MODIFICATION 115

ScottishPower support the proposed solution for implementing Modification 115 with all energy being charged to the NDM Supply Points at the SSP rate across all market sectors. This principle is consistent with that used for re-adjustments within the Modification 640 mechanism. The solution further utilities working arrangements currently established and therefore should not result in additional implementation costs to the Industry.

FACILITATION OF RELEVANT OBJECTIVES

ScottishPower believe that Modification 115 furthers the relevant objectives of Standard Special Condition A11.1(d). The Modification would introduce a much-improved basis for the allocation of energy and transportation charges across all market sectors. We believe that the proposal introduces additional incentives on Shippers to manage their portfolio and the energy flows to their customers.

Modification 115 forms part of an ongoing drive to improve accuracy and equitability of energy allocation across market sectors. We do accept that Shippers who employ robust management principles against their portfolio could argue that they will incur additional risk and costs as a result of the proposed solution. However, Shippers within the SSP market sector also employ such measures to manage their portfolios however their costs remain unduly influenced by the behaviour of other Shippers and the increased risk factors that currently apply while operating within this market.

ScottishPower believe that competition between Shippers will be improved with the re-balancing of risk exposure. This in turn should give greater confidence and

assurance to new entrants who may be proposing to enter and operate primarily within the SSP market.

Please do not hesitate to contact me at the above telephone number should you wish to discuss this response in more detail.

Yours sincerely

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