



Julian Majdanski
Modification Panel Secretary
Network Code Development
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25 May 2007

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Dear Julian,

The following is the Scottish Power response to the recent urgent modifications 150 and 150A and 151 and 151A:

UNC Modification 0150 – “Introduction of the AMTSEC Auction”

UNC Modification 0150A

UNC Modification 0151 – “Transfer of sold Capacity between ASEPs”

UNC Modification 0151A

Thank you for allowing us to respond to these modifications.

Scottish Power supports the principle of trades and transfer of entry capacity between zones and ASEPs, which could potentially alleviate some of the problems recently experienced at Entry. The slashing of the baselines at certain entry points has exacerbated these problems.

We don't necessarily consider this the best approach, and believe that it is discriminatory to treat storage ASEPs in the same way as other system entry points. However, in theory the introduction of capacity trades and transfers could improve the efficiency of the system.

We do not support the alternative modifications – 150A and 151A

We consider the alternative modifications raised to the two proposals to be ill-considered, spurious and arbitrary, whilst maintaining some degree of sympathy with the confusion of the proposer. We recommend that the modification process surrounding urgent mods and alternatives be re-considered in the light of these being raised.

We believe that the fact that the relevant obligations are not yet been finalised in National Grid's licence, that the fact that the “Entry Capacity Transfer and Trade Methodology statement” has not yet been fully consulted upon, and the fact that these contrary and complex mods are live, has served to undermine these auctions and confuse participants.

This has been amplified by the potential establishment, via these alternative modifications, of arbitrary exchange rates, and changes of the rules regarding which ASEPs should be in which zones etc. and could have contributed to further confusion and potentially perverse auction behaviour.

We appreciate that a meeting was scheduled with very short notice because Ofgem realised that decisions were being made which meant that shippers were going into these auctions potentially without understanding

the consequences of the new methodology which was yet to be implemented but which could apply to these auctions.

We would like to point out that whilst the Transmission workstream is an appropriate Forum to discuss modifications and regime change, the Operational Forum is the best place to ensure that the auction rules and implications are discussed. Representatives at these meetings need time for the information to be understood, disseminated internally, and incorporated into any bidding strategy. Our preference would be an industry seminar directed primarily towards operational and trading staff (i.e. those who will be participating in the auction) preferably with significant notice ahead of the auctions – to be held whenever any major changes to the auctions – and this is a fundamental change – takes place.

We do not support the implementation of Mods 0150 and 0151 at this time

We have above expressed support for the trades and transfer mechanism. The lack of clarity and absence of baselines prior to this auction, along with the lack of a full consideration of the potential impacts of the inefficient behaviour and unintended consequences of running with some of these mods, means that we cannot support any at this time. We particular concerns about 0151, where capacity is moved from ASEPs even where all capacity is sold out and other bidders have been unsuccessful in securing it. We have most concern over the alternatives for the reasons outlined above and the fear of spiralling costs when the risk of buy backs is taken into account.

We would also welcome an early assessment on the impact on transportation charges associated with over-recovery of revenues from this auction.

Should you have any queries on the views expressed please contact me on the telephone number as shown.

Yours Sincerely,



Commercial & Regulation Manager (Gas)
Scottish Power Energy Wholesale