Scottish & Southern Energy Grampian House 200 Dunkeld Rd Perth PH1 3GH

Direct Tel: 01738 457909 E Mail: <u>Jeff.Chandler@Scottish-Southern.co.uk</u>

20 July 07

Julian Majdanski UNC Modification Panel Secretary Joint Office of Gas Transporters Ground Floor Red 51 Homer Road Solihull B91 3QJ

Dear Julian,

Modification Proposals 0156 and 0156 A

Thank you for providing SSE with the opportunity to respond to the above modifications.

SSE is supportive of implementation of both modifications. However, of the two, 0156 A is preferred due to the multiple auction rounds offering the opportunity for greater price discovery. This should lead to a more efficient and effective use of the network and we believe this facilitates meeting the relevant objectives to a greater extent.

SSE would like to add the following further comments:

If possible consideration could be given to allowing the surrender of further entry capacity prior to the second auction round. This would allow for the surrender of entry capacity in October just prior to the auction when capacity requirements may be known with more certainty than in August. In addition, more capacity may be made available to the market once price signals have been given in the first auction round.

The setting of Zonal Maxima, Nodal Maxima, Out of Zone exchange rates and the Merit Order for supplying the auction bids are critical to the success of these and future auctions. Until the publication of the Trade and Transfer Methodology SSE will not have transparency nor understanding of how the above factors will be determined. SSE trusts that sufficient transparency and auditability in the decision making process will be specified in the methodology to have confidence in the discretion afforded to National Grid in determining Capacity Transfer & Trade allocations.

Please do not hesitate to contact me should you wish to discuss any of the above.

Yours sincerely,

Jeff Chandler Gas Strategy Manager Energy Strategy