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Dear John,

Modification Proposal 0194 & 0194A –Framework for Correct Apportionment of NDM Error

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

SSE is supportive of proposal 0194 and does not support 0194A.

It is apparent that there are errors inherent within the Gas Industry that ultimately lead to an under recovery of energy from non daily metered supply points in aggregate, and that this leads to RbD constantly being a charge on the SSP market. However, the errors and inaccuracies are apparent in both the SSP and LSP market. At present, we believe that there is discrimination of the SSP market sector and an unfair cross subsidisation of the LSP market by the SSP market.

SSE believe that proposal 0194 will better facilitate the relevant objectives as it is based on gas throughput and actual differences, rather than the 0194A concept of a fixed volume of gas. In addition Modification 0194 proposes that no market sector should be excluded from the re-apportionment mechanism. The decision to re-apportion costs will be determined against whether that market sector is deemed to make a direct contribution to an individual issue or not. A separate Modification Proposal is required to populate alternative values within the RbD Allocation Table, which forms part of the Framework proposal. It would have been preferable to have all the relevant modification proposals available for consultation at the same time, however, this has not been possible.

SSE does not believe that proposal 0194A would lead to equitable re-apportionment of the RbD error against the LSP NDM and LSP DM market sectors on the basis of a fixed allocation method. If this proposal were to be implemented it would continue the current discrimination of applying RbD error on differing principles for the market sectors.

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

Yours sincerely

Jeff Chandler
Gas Strategy Manager
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