

ScottishPower

energy management

Mr. Julian Majdanski
UNC Panel Secretary
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4th April 2008

Dear Julian,

Re: Modification Proposals 0195/0195A: “Introduction of Enduring NTS Exit Capacity Arrangements”

Scottish Power support for the implementation of Modification Proposal 0195

We offer qualified support for the implementation of Modification Proposal 0195A

Our ranking of the 0116 and 0195 Proposals in facilitating the achievement of the relevant objectives, and whether or not we support implementation of each, is as follows

0195 – Support

0195A – Qualified Support

0116A – Qualified Support

All other variants – do not support – but 0116V is our least preferred option.

Our comments are as follows:

Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Gas Transporter Licence Standard Special Condition A11.1

(a) *the efficient and economic operation of the pipe-line system to which this licence relates;*

Both Proposals would provide the required commitment for system investment. We believe that in the case of mod 0195A there is a greater degree of uncertainty to what the extent of this will be.

- (b) *so far as is consistent with sub-paragraph (a), the coordinated, efficient and economical operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;*

Both Proposals could deliver a regime which will allow independent DNs and National Grid to make their systems more efficient.

- (c) *so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

Both Proposals allow the discharge of the obligations following the expiry of the extended sunset clauses, although these clauses could be removed and 0116A would also be compatible.

- (d) *so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:*

Both Proposals secure effective competition by the introduction of the flat capacity product and calling for different arrangements on flexibility. Versions of 0116 create unnecessary competition for flexibility between direct connects and distribution networks which would be bad for competition and discourage investment in flexible plant.

- (e) *so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers' licences) are satisfied as respects the availability of gas to their domestic customers; and*

Both Proposals facilitate this with the introduction of a flexible capacity product for DNOs – some 0116 variants would negatively impact on connected supplies on the NTS and could impact domestic supply costs for electricity and other essential products.

- (f) *so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.*

Other implications of implementing the Modification Proposal – Advantages/Disadvantages

We agree with all of the points made in the draft modification report and have little further to add.

In summary we would support both 0195 and 0195A because we believe that they can both further the relevant objectives. We also believe that 0116A can achieve this with some amendments to the licences. We prefer 0195 because 0195A introduces elements which add complexity and uncertainty to the arrangements – although there is scope to add refinement to the implemented arrangements – if any of the above 3 mods are implemented. We have seen enough change in attempting to establish an efficient entry allocation product after 9 years to know that improvements might continually need to be made.

Yours Sincerely,

Name Steve Gordon
Organisation Scottish Power