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Dear John,

### **Modification Proposal 0244, 0244A & 0244B**

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 0244A.

SSE does not support proposal 0244 or 0244B.

Where a site wishes to reduce offtake, Shippers are attributed transportation costs based on actual consumption, the SOQ and Bottom Stop SOQ (BSSOQ) for the site. The only option for avoiding these costs is to fully vacate the site, withdraw from the supply point and isolate the meters.

The proposal 0224A seeks to allow a reduction in the SOQ of a site. The exception process further allows a reduction in the SOQ to below that of the BSSOQ at any time regardless of the Capacity Reduction Period. Changes to the BSSOQ are not proposed and will follow the existing procedure where the highest SPDQ from Oct to May of the preceding year is used to set charges.

SSE believes that the exception process as described by proposal 244A better facilitates the relevant objectives than 244 as it requires demonstration of demand reduction rather than just requesting an amendment to the SOQ. SSE consider that an unsubstantiated process such as that described in 0244 could lead to inappropriate, untargeted smearing of costs, via K, to other customers. In addition 0244 proposes making amendments to the BSSOQs which SSE does not agree with as this is a factual data item.

The temporary fix as advocated by 0244B does not provide a permanent solution and in our opinion does not better the relevant objectives as well as proposal 0244 A.

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

***Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;***

SOQs play an important role in planning the short term operation of the pipeline system. Having SOQs that reflect actual usage will therefore enable the Gas Transporters to operate their pipeline systems in an efficient and economic manner.

***Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;***

Standard Special Condition A5.5 requires the Gas Transporters to develop a charging methodology so that charges reflect the costs incurred. The current methodology relies on SOQs and BSSOQs as the basis for charges. If any of these do not reflect actual usage then arguably the charges developed will not be as accurate as possible. 0244 A Allows Shippers to register an SOQ that reflect actual usage will therefore facilitate SSCA5.5 and so in turn facilitate A11.1 (c).

***Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:***

***(i) between relevant shippers;***

***(ii) between relevant suppliers; and/or***

***(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;***

SSE considers 0244A will enable Users to reduce the SOQ at DM Supply Points in line with the expected future usage at that site. This will target costs more appropriately.

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

Yours sincerely

Jeff Chandler  
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Energy Strategy