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Modification Panel Secretary
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Dear Julian

Modification Proposal 0163 – Offering capacity at Donor ASEP in Trades & Transfers Process

Thank you for providing SGN with the opportunity to comment on the above Modification Proposal.

SGN is not supportive of this proposal. We do not believe the principles of the proposal would better facilitate the relevant objectives and we believe there are detailed aspects that require further clarification to ensure participants have a common understanding and to ensure the proposal would be capable of implementation.

With regard to detailed aspects of the proposal; it states that capacity surrendered would be offered firstly at the Donor ASEP at a reserve price “based on” the price paid at auction. It is not clear what is intended by the use of the words “based on” or what auction the Proposer is referring to. Is the price to be the price paid by the Donor at the relevant auction where capacity was secured or the price paid by all other participants under the transfer and trade auctions proposed under Modification Proposal 0156 and 0156A? If 0156A was implemented in favour of 0156, which round or rounds would determine the price? It is also unclear when capacity would be offered at the Donor ASEP, how it would be offered and what timescales or limitations would apply, before it would be offered to participants at other ASEPS. Given lack of clarity on these points it is very difficult to give detailed views as things stand. It would also be very difficult to develop legal drafting for the Modification Proposal.

With regard to high level principles and impact on relevant objectives, whilst the proposal is intended to protect against gaming, we believe the Proposal potentially introduces other inefficiencies. The proposal could result in capacity being allocated to other participants at the Donor ASEP at a lower value than may be achieved elsewhere. This could potentially result in investment being required in other locations to satisfy demand with such investment being higher cost and therefore less efficient. The arrangements would not allow market value and efficient outcomes to be discovered. We believe this would not better facilitate the relevant objectives in relation to economic and efficient development and operation of the pipeline system or the securing of effective competition. We believe the proposal could be detrimental to competition.

There is also a risk that the proposal could encourage a different form of gaming as it may create a perverse incentive for participants to avoid participating in QSEC or AMSEC or avoid offering the true market value, knowing any potential Donor would have to release capacity at

that ASEP first at a protected price. This would be against the principles set out under the proposal which were to protect against gaming.

We hope these comments are helpful.

Yours sincerely

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