

Modification Panel Secretary  
Joint Office of Gas Transporters  
Ground Floor Red  
51 Homer Road  
Solihull  
West Midlands  
B91 3QJ

03 August 2007

Dear Julian,

The following is the Scottish Power response to the urgent modification

**0163 – “Offering Capacity at Donor ASEP in Trades & Transfers Process”**

Scottish Power supports this proposal.

Firstly, as proposer, we regret that this proposal has had to follow such tight timescales that not all respondents will have had time to fully understand the facets of it. Hopefully, the session at the transmission workstream, the explanatory note, and the legal text available will help to ensure that more people respond.

The baseline changes, and the lack of clarity on how the trades and transfers process would work ahead of the auctions led to an auction and a potential regime which could throw up some unintended consequences.

The mod seeks to ensure that firm capacity rights are not transferred away from the ASEP at which they are required, and to correct a major inefficiency in the proposed mods 0156/0156A to ensure that only capacity not required at the ASEP at which it was bought can be moved to another ASEP along with associated firm and interruptible rights.

It must be stressed that we see this mod as correcting an unintended consequence of the proposals on the table to introduce trades & transfers. These are interim for winter 07/08 and we want to see a more efficient and fully developed solution on an ongoing basis – ahead of any more auctions. We are particularly disappointed on the process surrounding trades and transfers – the timing of the rushed urgent modifications being one major area of concern.

Our aim was to address a serious concern with the proposed trades and transfers methodology with a relatively simple and pragmatic modification which could be incorporated into the proposed process. However, we expect that the decision on implementation will be on the basis of furthering the relevant objectives, and on this basis we offer our response.

**System Efficiency**

We believe that this mod fits in with the Ofgem-stated objective of introducing trades and transfers to ensure that capacity can be moved from where it is not required, to where it is.

We believe that it would be inefficient to move capacity rights away from an ASEP on the system where it was required to another ASEP. We believe this to be an unintended consequence of the proposed modifications 0156/0156A, which may be seen to allow and encourage this.

Therefore, this proposal will enhance system efficiency and flexibility – avoiding the inefficiencies thrown up by the proposed trades and transfers mods this winter

### **Competition**

Effectively, under the proposed arrangements, an ASEP can be effectively “neutralised” The mod will not adversely affect competition, because all unsold and other capacity bought (and not required) can be traded and transferred.

We believe this modification helps to alleviate some of the serious consequences of gaming and hoarding which could be incentivised by the proposed arrangements.

Further, we believe this mod will avoid setting a precedent which would prove a barrier to new entrants or others seeking to develop new or existing ASEPs where effectively they might not be able to secure firm capacity rights to gain system access.

### **Security of Supply**

The potential to effectively “shut down” ASEPs by transferring and trading capacity rights away could lead to significant security of supply concerns this coming winter. It also as stated removes flexibility from the system.

We hope this is useful. If you wish to discuss anything in this response, please call me on 07753 621628.

Yours Sincerely,

Steve Gordon  
Commercial & Regulation Manager (Gas)  
ScottishPower Energy Management Limited