



Grampian House
200 Dunkeld Road
Perth
PH1 3GH

Tim Davis
UNC Modification Panel Secretary
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
B91 3QJ

E:mail: Jeff.Chandler@SSE.com

Our Reference:
Your Reference:

[Date 31 Jan. 11](#)

Dear Tim,

Inter-day Linepack Product consultation paper – ‘Open Letter’

Thank you for providing SSE with the opportunity to comment on the above Open letter.

Question One: Having read and understood the nature of the proposal, do you consider that the proposed service will provide your company with an additional, commercially viable, tool to better manage your commercial risks?

The low volume of the product available, from 0 to 11 mcm, combined with the nature of its release, at the discretion of National Grid –NTS on the day, makes the use of the product limited. Our energy position will be largely balanced in advance and because of the limited and uncertain nature of this product's availability its use would be restricted to financial arbitrage.

Question Two: Are you likely to utilise the Inter-day Linepack service and if so what would determine how much you would seek to purchase?

As described above, use would be largely contained to financial arbitrage if our operational staff have completed all other functions. The low volumes available mean, that this will be a low priority area for attention.

Question Three: Do you consider that the potential pricing range of the Inter-day Linepack Product represents a commercial opportunity to your company?

As described above, the low volume and value (0.3 p/th estimated by NG –NTS) means that this will be a low priority area for attention.



Question Four: Do you believe that a zero reserve price is appropriate for this Product?

Yes, any higher price will further deter use.

Question Five, Six & Seven: Do you consider that the indicative recovery period estimated by NGG Transmission is appropriate? If not, do you consider that the recovery period is likely to be over a greater or shorter timeframe?

The estimated costs of implementation are high compared to the potential benefits. (£ 282 k implementation and £22k annual operational costs.) Due to the questionable value of the product, all User Pays costs should be allocated on usage from Linepack auction revenue and not on one off charges.

Question Eight: Do you envisage any other products being positively or negatively impacted by the introduction of the Inter-day Linepack Service?

The system incentives for residual balancing; both price performance and linepack measures will need to be reviewed. Due to the ad-hoc nature of release the impact on other storage services will be muted, especially as the product is unlikely to be available on the days when required, i.e. an unexpectedly high gas demand day will produce high price spreads, but then interday linepack product is not likely to be available.

We are concerned that selling linepack may affect system pressure and increase the complexity of managing the network which may lead to unforeseen consequences. Until further analysis or monitoring has been undertaken we do not believe the benefits outweigh the costs of implementing this product.

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

Yours sincerely

Jeff Chandler
Head of Gas Strategy
Strategy & Regulation