

Modification 136 - Reconciliation following AQ Amendment where an SSP becomes an LSP prior to calculation of Provisional Annual Quantity

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ScottishPower fully support the implementation of Modification 136.

Modification 640 introduced incentives on a Shipper to proactively amend AQ values where meter readings obtained suggested that the current calculated AQ was understated. When implemented a number of exclusions were included within this Modification as it was believed at the time that the energy value associated with these exclusions was of low materiality. However information provided to the Industry demonstrated that this was not the case. Modifications 94 to 96 sought to remove these exclusions and allow reconciliations to flow for all Threshold Crossers. Modifications 94 and 95 were subsequently approved by the Authority with Mod 96 being rejected. Modification 136 which has been raised by BGT, seeks to address the concerns raised by the Authority within their determination letter.

Currently Shippers have until the date of the calculation of the Provisional Annual Quantity values to submit an appeal to correct threshold crosser AQ values. A successful appeal excludes these Supply Points from incurring backdated transportation charges. Evidence presented by xoserve at the AQ Operational Forum held in April 07 demonstrated a peak in AQ Appeals activity during the months of October 06 and March 07. A peak in October 06 could account for Shippers correcting Threshold Crossers on the re-opening of the appeals window after performance of the AQ Review. The implementation of Modifications 94 and 95 may have influenced this behaviour. However the appeals activity during March 07 would indicate that Shippers are waiting to the last possible time to undertake the appeal of Threshold Crossers still permitted under Section E, Paragraph 7.4.3 (a) in order to avoid backdated Transportation Charges. This behaviour results in energy allocations continuing to be mis-allocated to RbD market.

ScottishPower are of the view that Shippers need more than ever to proactively manage their AQ portfolio and that appeals to AQ values should be initiated as early in the process as possible. We believe that implementation of Modification 136 will delivery benefits to the Industry as a whole and will result in the correct allocation of costs within the appropriate market sector.

Kind regards

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