



Julian Majdanski
Modification Panel Secretary
Network Code Development
31 Homer Road
Solihull
West Midlands B91 3LT

20 July 2007

0141 568 2464

0141 568 4464

Dear Julian,

The following is the Scottish Power response to the recent urgent modifications

UNC Modification 0156 – “Transfer and Trading of Capacity between ASEPs”
UNC Modification 0156A

Thank you for allowing us to respond to these modifications.

Scottish Power has supported the principle of trades and transfer of entry capacity between zones and ASEPs, which could potentially alleviate some of the problems recently experienced at Entry. However, the modification proposals which have been raised to date have made us seriously question this. We believe that these proposals would serve to increase the potential for gaming and reward speculative behaviour. We believe that they are at odds with the point of introducing trades and transfers – which was to make unsold capacity useful (where physically possible) elsewhere on the network.

We are grateful for the level of industry engagement following the rejection of the previous modifications, and appreciate that National Grid have arranged seminars ahead of the auctions for commercial and operational staff to understand the auction history and specific changes. We are very disappointed and feel misled into thinking that this modification would address shipper concerns.

We do not support 0156 and 0156A

Shipper’s concerns have not been met with these modifications.

Our primary concerns are:

- The modifications encourage hoarding – they encourage shippers to purchase capacity where they don’t require it, with nothing in place to prevent shippers withholding capacity from the trades and transfers process.
- The modifications encourage speculative behaviour - the arrangements in proposals facilitate behaviour which effectively holds other users to ransom and/or can effectively shut down shipper operations at sites where there is no 3rd party access by transferring capacity away from that site.
- Effectively these proposals if such gaming is not prevented would lead to the suppression of competition and discourage new market entrants.
- The proposals introduce a mechanism which give rise to inefficiencies in the system - potentially transferring capacity away from an ASEP where there is unsatisfied demand makes little sense. Whilst

taking bids from ASEPS where capacity is unsold first does provide some comfort on this, it does not fully address our concerns.

Some of these concerns could have been addressed by the modification but seem not to have been.

For example, to discourage hoarding any firm capacity not surrendered should be made available to parties who require it as firm at the relevant ASEP.

To discourage speculative behaviour, surrendered capacity could have been made available firstly at an ASEP where a donor ASEP and recipient ASEP were the same. Our understanding was that this would be the case, but this does not appear in the modification.

Holders of capacity might see a potential reward for speculative behaviour by withholding capacity from this process and force trades on a secondary market at distorted prices. I believe the possible range of anti-competitive behaviour has not been adequately considered and that participants behaviour in the trades and transfer process should be closely monitored given that these concerns have not been addressed.

Other Concerns

We still have concerns over making storage ASEPs interchangeable with other system entry points. We believe these should be separate and that more efficient trades and transfers could take place between entry terminals which would not discourage storage investment and prevent potential problems in an emergency situation.

Needless to say if our fears are adequately addressed by aspects of the modification which are not immediately explicit or contained within the legal text, then we would be supportive, but at the moment the modifications for us seem not to meet the relevant objectives and would not represent an improvement on current arrangements.

Should you have any queries on the views expressed, please contact me on the telephone number as shown.

Yours Sincerely,



Commercial & Regulation Manager (Gas)
Scottish Power Energy Wholesale