



Julian Majdanski  
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Network Code Development  
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16 August 2007

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Dear Julian,

The following is the Scottish Power response to the recent modifications

**UNC Modification 0169/UNC Modification 0169A – “Transfer and Trading of Capacity between ASEPs”**

Thank you for allowing us to respond to these modifications.

**Scottish Power does not support UNC modification 0169**

This modification seeks to introduce a trades and transfers process. However, we do not believe that this modification meets the relevant objectives. We believe that this modification if implemented:

- **Is at odds with the trades and transfers process as envisaged**

The key objective (and efficient) principle for the introduction of a trades and transfer process was to take capacity from where it wasn't being used to where it would be required.

- **Introduces inefficient arrangements into the Uniform Network Code**

This mod introduces the ability to take capacity away from an ASEP which is sold out and where there is still unsatisfied demand for use at that ASEP, to transfer elsewhere. This is an inefficient way to allocate capacity.

- **Would set a precedent which would have serious implications for competition, security of supply and system flexibility**

This is extremely important. In this case only a minority of ASEPs and party may have been seriously impacted. Also, there are others who might not be aware of the potential consequences. There will also be a precedent set which will send a signal for development of the long-term auctions and the possibility to deny access capacity at system entry points where it might be required. My hope is that people will consider these mods on the basis of the relevant objectives, affected or otherwise.

This modification will discourage investors at ASEPs who might not be able to get capacity rights to operate their facilities – especially if they fall into a particular “zone”.

It will affect the availability of gas to the market this winter by potentially transferring rights away from storage sites and other entry points.

It will affect overall system flexibility. It is in the interests of the system to have each ASEP operating to its maximum where possible.

- **Would reward gaming behaviour**

Under these arrangements, someone could come in at an ASEP-related price, effectively holding those who use capacity at that entry point hostage – and with the ability to shut that entry point down – thanks to the transferring away of all capacity rights at that point. This should not be allowed to happen.

Some people might be under the impression that there are other modifications that may mitigate against some of these consequences, but we do not believe this to be so. Any limited protection which may be introduced by these mods is uncertain. We believe that this modification offers no protection for certain categories of user against the unintended consequences of a poorly defined trades and transfers process. In particular, those who are sole users of an ASEP where there is no third party access are particularly vulnerable to gaming behaviour by people who have speculated on the basis of what may be introduced in a trades and transfers regime, at the expense of others who expected one introduced as per the objectives stated. Only Mod 0169A allows parties to get the rights to capacity where they are required.

- **It is discriminatory – and will lead to prices at some ASEPs which are not ASEP-related**

People who require capacity and use capacity at an individual ASEP should pay an ASEP-related price. This proposal makes a mockery of prices at the ASEPs and totally undermines years of capacity auctions.

It also has serious consequences for particular categories as user. People at these ASEPs alone will be paying a non-ASEP related price to use capacity at their ASEP (if they are able to secure any rights at all).

It is to address these major concerns that we raised 0169A

### **Scottish Power supports the implementation of Mod 0169A**

If implemented this proposal will avoid the consequences above.

- **It will ensure the main objective of introducing a trades and transfer process will be met**

Only capacity not being used elsewhere will be traded and transferred.

- **It will ensure that people will not make windfall gains on speculative behaviour**

As above, while at the same time the weighted average price paid should ensure no commercial disadvantage.

We also believe that there are no adverse consequences for the market this winter. This mod will increase the flexibility available to the market and should not decrease the amount of capacity available anywhere.

- **It does not introduce any more auction rounds and very little additional complexity**

This mod is designed to be part of the process and within the timescales envisaged in 0169.

- **It ensure that people will pay a market rate for their capacity**

The only potential negative (?) consequence is that one or two players might not make as much money as they had envisaged from speculating at the last AMSEC – if even such behaviour did exist.

- **It will ensure that trades and transfers process is introduced with a mechanism that will avoid the potential consequences for security of supply, competition and inefficiency of operation as described above.**

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

Yours Sincerely,

*Steve Gordon*

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