

23<sup>rd</sup> January 2008

Julian Majdanski  
Joint Office of Gas Transporters

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**Dear Julian**

**UNC Modifications 171 and 171A – Amendment of User SP Aggregate Reconciliation Proportion to incorporate historical AQ Proportions**

ScottishPower welcome the opportunity to respond to the above Modifications. ScottishPower support the implementation of Modification 171. We appreciate that the Modification will apply only to NTS/LDZ reconciliation amounts with a minimum value of 50 GWhs. In addition, the proposed arrangement will apply equally to both credits and debits.

The current reconciliation regime, which re-distributes energy based on current market share presents a number of risks for Shippers. No account of historical market share movements are taken into consideration and therefore the value of reconciliations can be disproportionate to the actual customer portfolio supplied over the period that the reconciliation applies. The extent of the impact on Shippers was clearly demonstrated within the recent SE LDZ meter error reconciliation. At this time ScottishPower incurred substantial reconciliation costs, which were not commensurate in relation to our market share build up over the period of the reconciliation. Incurring costs in this manner results in increased risk and cost exposure and creates financial uncertainty. We believe that the current reconciliation regime unfairly prejudices ScottishPower and other Shippers who entered the gas market at the opening of the domestic competition and who have progressively build up market share since that period.

We do not accept the argument put forward by the Proposer of Modification 171A that by applying reconciliations to historic market share values will introduce uncertainty. On the contrary, we believe that reconciliation costs will be appropriately targeted at those Shippers who were originally allocated energy and transportation costs in relation to their customer portfolio base. We believe that the current arrangements require to be changed to make the reconciliation process more equitable for Shippers who are currently active in the market.

We support the approach put forward by the Proposer of Modification 171 to deal with instances where Shippers are no longer in operation with the costs being smeared across the industry based on Shippers proportion of AQ holding within that LDZ on the dates that the costs were incurred.

ScottishPower believe that Modification 171 furthers the following Transporter relevant objectives:

(a), (c), (d). We believe that costs will be targeted at those Shippers that incurred them and as a consequence this will promote effective competition between Shippers and Suppliers.

Yours sincerely

Marie Clark  
Energy Commercial Manager  
ScottishPower