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Our Reference:

Your Reference:

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Dear Julian,

Modification Proposal 0188 & 0188A

Thank you for providing Scottish and Southern Energy plc (SSE) with the opportunity to comment on the above modification proposals.

SSE offers qualified support for Mod 0188 and does not support Mod 0188A.

SSE fully supports the principle of User Pays as this will ensure that those parties benefiting from modifications also fund the Xoserve costs of implementing them. It will overcome the contention that has been evident since competition began where Transporters are potentially being asked to incur costs for changes that do not give them any benefit and therefore are reluctant to support. It should also result in greater transparency and viability within the modification process with the potential costs of changes to Xoserve systems being identified at an earlier stage which will help all parties to determine whether they support a modification or not.

We do have concerns with the draft ACS prices. Paragraph 11 of Standard Special Condition A15 says changes for User Pays should reasonable reflect costs. The unit cost for the Monthly Charge for an IAD Registered User Account is being proposed at £40. This would indicate that cost of operating the IAD is some sixty times greater than the equivalent in Electricity, which we would question. On current numbers we believe that these charges will provide revenue of at least £8 million and this is from just one line in the charging statement. Clearly the ACS is still in a draft form and we would expect some significant changes in some of the proposed charges and terms and conditions. Appendix 2 which is supposed to detail the methodology by which unit costs have been derived is blank and the detail of this should help the debate.

As far as 188A is concerned we believe that this idea would have benefited from wider industry consultation. For example, if it is referencing Ancillary Agreements (Ancillary

Document is not referenced in the UNC) this tends to be for bilateral agreements and as such are amended with the agreement of the Transporter and User(s).

We hope you find these comments useful and if you wish to discuss any points please do not hesitate to contact me.

Yours sincerely

Jeff Chandler
Gas Strategy Manager
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