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Dear John,

Proposed UNC Modification Proposal 0213V - Introduction of User Pays Governance Arrangements into the UNC.

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

Scottish and Southern Energy is generally supportive of this modification and we agree with the proposer that this Modification Proposal should be implemented to give clarity to the existing Modification Rules for the way in which the “user pays” regime should operate.

We do continue to have two areas of concern, notwithstanding our support for this modification. The first of these is around getting agreement with regard to cost and apportionment. Although Paragraph 5 of the proposed Business Rules talks about getting agreement through an appropriate industry group, there is no provision as to the next step if agreement between parties cannot be reached and could lead to Ofgem having to arbitrate on numerous alternate modifications with different financial models rather than on the principal of the modification itself. The Guidance Notes do provide a set of preferred allocation splits which one hopes the industry will adhere to. At the very least it would be sensible to include in the guidance notes a similar limited number of formula options for Shippers which it is recommended the Proposer selects from.

The second concern is around Business Rule 18 and the associated legal text B 1.7.14. We believe that in the scenario where there are development/analysis costs incurred for non-implemented proposals that it is inappropriate for those parties specified by the Proposer in the original proposal to have to pay for these costs where they were opposed to the proposal. We believe it is more appropriate for those costs to be shared by the Proposer and those Parties that supported the modification. In our view this would be more consistent with the principles of ‘User Pays’ – ie if you want it you pay for it!

Please do not hesitate to give me a call if you wish to discuss this further.

Yours sincerely

Martin Brandt