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Dear John,

Modification Proposal 0218 – Amendment to the Base Period Used to Define Seasonal Normal Weather

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

SSE is supportive of proposal 0218.

SSE supports the proposal to remove the requirement to base Seasonal Normal Weather estimates on purely historical data and to introduce the option to use forecast data.

Using forecast information, such as that produced by the Met Office in the recent study, would allow a period of part historical and part forecast data to provide the seasonal normal base. SSE support retaining the review period of 5 years as a trend change can be problematic to reflect in the seasonal normal weather forecast. This would allow a set of seasonal normal estimates to be derived from a combination of forecasts and historical data, fixed for a number of years, then revised upwards to match the new warmer expected levels.

SSE believe that the proposal will better facilitate the relevant objectives of Standard Special condition A11.1 (a):

AQ forms the building block of many of the planning and system security activities of Transporters. As such improving the accuracy of AQs through the appropriate weather correction will improve the opportunity for Transporters to operate the pipe-line system in an efficient and economic manner.

SSE believes that the proposal will better facilitate the relevant objectives of Standard Special condition A11.1 (c):

Through more accurate allocations of demand, implementation may provide the opportunity to improve cost reflectivity of charging and therefore be expected to better facilitate this relevant objective.

SSE believes that the proposal will better facilitate the relevant objectives of Standard Special condition A11.1 (d):

Potential improvement in the seasonal normal values will feed into the calculation of AQs and hence to the allocation process. This would ensure that energy was allocated more accurately on the original commodity invoice and minimise movement of energy between market sectors through reconciliation. This could be expected to facilitate competition between relevant Shippers, minimise uncertainty for new entrants and increase revenue certainty for DNOs.

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

Yours sincerely

Jeff Chandler
Gas Strategy Manager
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