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Date : 8 June 09

Dear John,

Modification Proposal 0224

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

SSE is not supportive of this modification.

SSE believe that the main incentive for using the DM elective service is to avoid costs which look likely to be applied through other modifications to Large NDM Supply Points. These other modifications currently being reviewed, suggest that gas from RBD should be allocated, in addition to small sites, to large sites in the NDM market. Avoiding these potential costs could provide an incentive for shippers to move elements of their portfolio into the DM sector thereby avoiding any future charges on their Large Supply Point portfolios through RBD.

SSE feel that there is no consumer demand for a product that would require this regime to operate and would therefore only use the service to ensure that it is not disadvantaged by other suppliers behaving in this way.

User Pays

It is appropriate that the DM elective regime be a User Pays service. However it is important that the costs are attributed to the actual users as opposed to eligible users. SSE does not plan to use this service, although it recognises that it may have to use the service to avoid costs if other shippers behave to avoid RBD costs.

Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives:

SSE believe further gas sales contracts could be made available to consumers in the NDM market, but SSE do not believe that there will be the consumer demand for those products. Experience from the electricity market in offering products which utilise frequent reads (half hourly) has indicated that consumers are unwilling to be exposed to the risks and volatility of daily commodity markets. Consumers opt for contract packages from which they can reasonably forecast their energy costs and fully understand their exposure. Consequently we do not believe this modification will further support competition between shippers or suppliers.

The modification does not increase the range of supply points that can nominate as DM as the DM Voluntary regime is available and applicable to the same supply points. However through cost advantages in using the shipper's own AMR equipment rather than that provided by the DMSP and other cost advantages, an outcome of this modification may be to increase the numbers in the DM regime. This will increase the proportion of the total portfolio subject to daily reconciliations. However with a rapid change in the size of the NDM portfolio, NDM modelling may become more difficult leading to greater inaccuracy in managing demand for this portfolio.

The modification is also unrelated to the use of AMR equipment. AMR equipment may be requested by consumers and / or be installed by suppliers without this modification. There are other incentives which exist now and are currently driving the installation of this equipment. The modification does not support the use of this equipment. However AMR equipment does facilitate this modification.There are no barriers to the use of this equipment other than the lack of processes available at change of supplier.

In terms of industry processes there are no existing processes or procedures available to share or transfer protocols for AMR equipment between suppliers. If available they would enable new suppliers to continue to use equipment already installed at change of supplier. Consequently a seamless transfer between shippers for DM elective sites, where readings are obtained continuously, is unlikely and this modification does not provide an industry process to support this.

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

Yours sincerely
Anne Jackson