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Dear John,

Modification Proposal 0225 – Revised Timescales for LDZ Shrinkage Arrangements

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 0225.

Currently, shrinkage values are set for the Gas Year. However, DN's target values and incentives under the DPCR are set for the formula year. SSE agrees with the Proposer that it makes sense to try and align price control targets and incentives with values applying to Users under the UNC. However, we do not entirely agree that this proposal will allow Transporters to make better use of actual data. Analysis will be carried out in Oct - Nov, so important winter data will not be available to be fed in to forecasts. However, as shrinkage allowances are now set in the price control and are not throughput based, the forecast is only relevant to ensure amounts are allocated across Users appropriately. Any error will be picked up in the following year through an adjustment as is current practice. There will be a benefit associated with a quicker turnaround in carrying out assessments of actual shrinkage levels and any corresponding adjustments.

On balance SSE believes that the proposal will better facilitate the relevant objectives of Standard Special condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates; by utilising more timely network and operational data and by carrying out shrinkage assessment in a shorter period. This in turn would lead to more accurate nominations and demand allocations (for NDM sites) in each LDZ and will better further this relevant objective.

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

Yours sincerely

Jeff Chandler
Gas Strategy Manager
Energy Strategy