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Dear Tim,

**Modification Proposal 0228 & 0228A – Correct Apportionment of NDM Error - Energy**

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 0228 and does not support 0228A.

It is apparent that there are errors inherent within the Gas Industry that ultimately lead to an under recovery of energy from non daily metered supply points in aggregate, and that this leads to RbD constantly being a charge on the SSP market. However, the errors and inaccuracies are apparent in both the SSP and LSP market, but the SSP market is picking up all of the associated risks and costs. At present, we believe that there is discrimination of the SSP market sector and an unfair cross subsidisation of the LSP market by the SSP market, and also that it is very difficult to accurately determine the quantities of unaccounted for gas.

SSE believes that proposal 0228 will better facilitate the relevant objectives, as it is based on gas throughput and actual differences, rather than the 0228A concept of a fixed volume of gas. In addition, proposal 0228 proposes that no market sector should be excluded from the re-apportionment mechanism. The decision to re-apportion costs will be determined against whether that market sector is deemed to make a direct contribution to an individual issue or not, which is a logical way of re-apportioning the RbD error.

SSE does not believe that proposal 0228A would lead to equitable re-apportionment of the RbD error against the LSP NDM and LSP DM market sectors on the basis of a fixed allocation method. If this proposal were to be implemented, it would continue the current discrimination of applying RbD error on differing principles for the market sectors.

Within proposal 0228 there is a method of allocating the percentage of RbD to the LSP sector and to recalculate it annually using independent analysis, or sooner if new evidence becomes available. This provides both an accurate and logical method of reallocating RbD costs.

Modification proposal 0228 would also be a relatively easy and low cost solution to implement.

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

Yours sincerely,

Mark Jones