

## Representation

### Draft Modification Report

#### 0333/0333A - Update of the default System Marginal Buy Price and System Marginal Sell Price

**Consultation close out date:** 11 February 2011

**Organisation:** Association of Electricity Producers

**Representative:** Julie Cox

**Date of Representation:** 11 February 2011

#### Do you support or oppose implementation?

0333: Not in Support

0333A: Support

#### If either 0333 or 0333A were to be implemented, which would be your preference?

Prefer 0333A

#### Please summarise (in one paragraph) the key reason(s) for your support/opposition and preference.

The Association supports modification 333A over 333 since the implementation cost allocation better reflects the beneficiaries of the proposal, and a lower cost burden on shippers will mean a lower cost burden to be passed onto customers. We see the main benefit being NGG being able to comply with its Special Standard Licence Condition 27 and therefore avoiding potential fines for failure to comply with its licence. We also consider the implementation costs to be high and reflective of inadequate system design in the first place. In our experience IT system developers are reluctant to 'hard code' values into systems, such that if the system design had been appropriate in the first place implementation costs would be negligible now.

#### Are there any new or additional issues that you believe should be recorded in the Modification Report?

The Framework Guidelines on gas balancing are due to be published very soon, depending on the timing of this the Panel and / or Ofgem should be mindful of this when considering the proposal in case there are variations from the draft Framework Guideline that was issued for consultation last year.

0333/0333A

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Version 1.0

Page 1 of 2

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**Relevant Objectives:**

*How would implementation of either modification impact the relevant objectives?*

Both proposals lead to default cashout prices which are arguably more cost reflective than the existing prices, albeit this has been the subject of much debate during workgroup discussions. In principle this should enable shippers to make efficient decisions regarding balancing. However in practice given the very small change in the actual values applied at the time of implementation compared to the existing values it cannot be determined with any certainty whether balancing behaviour will improve, deteriorate or remain unaffected. Therefore we would have reservations if A11.1(d) were the only relevant objective that the proposals sought to further.

We consider the case is clearer in terms of A11.1(c). These proposals enable NG to demonstrate compliance with SSLC 27, and therefore further this relevant objective.