

SSE Comments on UNC Discussion Document V1.0

General Comments:

While we support the approach that has been taken by NGT in proposing a list of changes that would be required to create a Uniform Network Code from its existing Network Code, we are concerned that it has exercised this approach somewhat prematurely.

We believe that a number of fundamental strategic policy decisions in respect of identifying the key relevant parties and their associated roles remain outstanding.

In particular, policy decisions in respect of invoicing, payment and, therefore, credit arrangements need to be made. Similarly, strategic decisions on the activities that the DN owner will undertake in respect of the daily management of its system are critical to the content of the UNC. For example, the DNO's role in managing any daily exit point interruption on its system will determine the extent to which it needs to interact with shippers. All of these decisions will determine the extent to which the various parties will interact on a day-to-day basis and on a contractual basis and will, therefore dictate the structure, content and governance of the proposed UNC.

Until these have been finalised, it is not possible to come up with a relevant list of changes that would, if implemented, create the first draft of a UNC. Any attempt to do so will necessarily pre-determine the model that is to be adopted

SSE is concerned that under NGT's proposed model DNO's will in effect operate their networks on a day-to-day basis in isolation, whereas at present, we understand that there is a more integrated approach to the physical system balancing of the GB gas system as a whole. We also understand that actions taken by Transco in their role as residual gas balancer (ie energy balancing actions) can have an impact on physical balance of the system. We therefore believe that it is preferable for the day-to-day management of the whole physical gas system to be carried out by Transco in their role of GB system operator (SO). In our view, this approach would not only be a more efficient approach to the daily management of the GB gas system, we also believe it would require fewer shipper interface changes than those envisaged under Transco's model.

For these reasons, it is difficult at this stage to provide any detailed comments on NGT's initial documents. We have however set out some general comments which we hope will be useful.

Definitions

We are concerned that there is a failure to distinguish between Transco's role as a network **owner** (whether NTS or DN) and its role as GB **system operator** (SO). The SO function has already been separately recognised within Transco's price control as one that is concerned with the residual energy balancing and physical system balancing across the whole GB gas system. Following a DN sale, Transco's role as GBSO will continue on behalf of all network owners and shippers using the networks and we therefore believe that for clarity and transparency it is important to split the role of Transco network owner from that of Transco GBSO. At the very least, we

believe that the separation of Transco's network owner activities from those it carries out on behalf of the whole GB gas system will be integral to establishing appropriate non-discriminatory provisions. To summarise therefore, we believe that it is important to identify the activities that Transco will continue to perform across the whole GB gas system as a SO from those functions it will only carry out as the owner of the NTS and retained DN networks. Failure to do this will, in our view, lead to unnecessary confusion in terms of accountability and price control allowed revenues.

High Level Assumptions

- We note that the list of high level assumptions set out in the discussion document does not fully reflect those set out in the slides presented by Transco. Eg reference to no change to the energy balancing arrangements.
- We would support the *intention* that invoice items will remain the same, we believe that this is one of the debates that remains to be held.
- We agree that the assumption regarding the authorship and publication of the Ten Year Statement will depend upon the provisions contained within the Gas Transporter licence.

Transition Document

We believe that further clarity is required in respect of the extent to which there is a transfer of outstanding liabilities following the sale of a DN.

Way Forward

Once the key strategic decisions on the proposed model that have been determined, it will be necessary to "walk through" the existing network code/NGT's List of Changes Discussion Document to identify areas where changes are necessary to reflect the overall model that has been adopted. At this stage, we envisage that the CIWG would carry out this piece of work.