

Sonia Brown
Office of Gas and Electricity Markets Authority
9 Millbank
LONDON
SW1P 3GE

Date
12th April 2005

Contact/Extension

0141 568 2464

Dear Sonia

Re: Gas Distribution Network Sales – Consultation on Network Code Arrangements – Part Two

Incorporating response to network proposal no. 0745.

Thank you for giving Scottish Power the opportunity to respond to this consultation. This response is sent on behalf of ScottishPower UK Division, which includes the UK energy businesses of ScottishPower, namely ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Energy Retail Ltd.

NGT Response

NGT published their response to the first stage of this consultation on Network Code arrangements. Occasionally, there is a blurring of the distinction between NGT and Ofgem in the DN Sales publications. We believe this particular consultation falls into that category. Since there is a significant overlap between NGT and Ofgem here, we have also attached our response to modification 0745.

NGT referred to the progress made in the signing/novation of metering contracts, and the adoption of a minimal change approach. We would like to thank Ofgem for their role in this. You may recall that we opposed the Distribution Network Sale because we were not given any assurances that the level of costs would be as stated in the Final Impact assessment – and submitted a list of questions for NGT along with our response. Recent fruitful negotiations with NGT and their confirmation of this minimal change

approach, has led to a considerable reduction in our estimates of costs resulting from the DN sale.

Uniform Network Code (UNC)

We appreciate all that has been accomplished in bringing together the UNC, and despite shipper reservations about timescales, we acknowledge that the detail in the UNC document has been consulted on, and that shippers have had the opportunity to discuss changes to the Network Code on a section by section basis.

We recognise that substantial areas of the Modification rules need to be changed precisely because of the proposed industry structure. Once the UNC has been established then other changes which have become associated with the Distribution Network Sale will be subject to the new modification rules for inclusion into the code. This underlines the importance of getting the modification rules right before the Uniform Network Code becomes live.

Modification Rules and Governance

Changes to this area of the code are necessary to fit with the new ownership arrangements. We need to accommodate all the Gas Transporters, but without shifting the balance of power significantly in their favour.

The proposed 5:5 split will accommodate all the major gas transporters, we are not convinced that the same number will capture the diversity of concerns within the shipper group. Increasing shipper representation and allocating quotas by main business area could help to alleviate this.

We believe that the recommendation of the panel and not a GT recommendation is the best way to present the Authority with the final report on which to make a decision. We do not believe that this will decrease the amount of appeals, but will take away an element of the complexity in the decision process e.g. when the final mod report makes a recommendation which is opposed unanimously by all other interested parties.

The suggestion that there should perhaps be one extra independent person who can make a recommendation in the event of a “hung” decision on a recommendation by the panel is not necessary. We don’t believe that there has to be a recommendation for every modification.

Incremental Exit Capacity Release Document

Ofgem have determined that Exit regime reform is necessary for the divested industry structure. Our thoughts on the merits of the proposed Exit regime reform may be outwith the scope of this particular consultation. However, we believe that the current

Incremental Exit Capacity (IExCR) release document has the benefit of being simple and easy to understand, and considerably less complex than the current document for Entry Capacity release. However, we acknowledge that at present it only covers the interim arrangements and an administered regime. It is likely that the advent of exit auctions, should they be deemed necessary, will add considerable degrees of complexity to the statement.

Licence Amendments

We have no particular concerns surrounding the amendment of Transco's GT licences to reflect the new arrangements, the establishment of the UNC and the governance arrangements surrounding it.

Mod 0745

Our response to this modification is shown below.

Should you have any queries regarding the comments in this response, or wish to discuss anything further, please contact me on 0141 568 2464.

Yours sincerely



Commercial & Regulation Manager (Gas)



Julian Majdanski
Modification Panel Secretary
Network Code Development
31 Homer Road
Solihull
West Midlands B91 3LT

12th April 2005

0141 568 2464

0141 568 4464

Dear Julian,

The following is the Scottish Power response to:

**Modification 0745 – “Modification of the Network Code into Transco’s Individual
('Short Form') Network Code”**

Thank you for allowing us to respond to this modification. Scottish Power supports this modification proposal.

We agree that we need a commercial framework to be established to govern the relationships between users and individual gas transporters. We believe that a single unified network code is preferable to a series of individual codes, not least to ensure a commonality of approach between individual system operators, and also as a vehicle for delivering improvements going forward to the transportation services offered.

However, we are concerned that the effort which shippers put in to developing proposals which they believed would enhance the modification rules and prepare for industry change were not given the same amount of consideration as modification proposal 0745. In particular mod 0719 on which shippers were never given the opportunity to consult despite having being raised long before 0745 which was granted urgent status.

We do understand the reasons for the granting of urgent status on this modification, although we believe that this modification could have been raised at an earlier date to

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avoid the need for urgency. Therefore, we are pleased that the timescales were not further restricted.

Given the importance of this modification, we believe there would have been benefits to the industry for it to follow the full modification process. This has been largely symptomatic of the entire process surrounding the Network Sale.

In our view, given the developments in the DN sale process to date, this is an enabling modification which ultimately better facilitates the relevant objectives regarding the efficient operation of the system, and is consistent with the licence conditions of the individual gas transporters.

Should you have any queries on the views expressed please contact me on the telephone number as shown.

Yours sincerely,



Commercial & Regulation Manager (Gas)

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