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Our Reference:

Your Reference:

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Dear Hannah,

Consultation on Publication of Near Real Time Data at UK sub-terminals (UNC Modification 006) – Ofgem Impact Assessment – Case Study

Thank you for the opportunity to respond to this consultation.

We agree with Ofgem that with new information available, shippers will be able to manage their position with more certainty, resulting in less balancing actions being taken and an improvement in the overall efficiency of the market. The provision of such information will level the competitive playing field between producers' affiliates and non-integrated market participants. However, in our response to this modification in November 2005, we stated that we believed that the publication of such an increased level of information would be a significant benefit to the market, but we would find it difficult to place a value on it.

Whilst Ofgem have provided two examples of what might happen on the system when there are offshore outages, without further detail of other aspects of what was happening on the system and in the market, our previous comments still hold, and we would find it very difficult to provide accurate information on our actions, costs and benefits as required by the four questions.

Nonetheless, we continue to believe that the modification applied to offshore would provide the market with significant benefits.

To be able to provide any answer to the questions in this hypothetical scenario, it requires some assumptions to be made, being that we would have been out of balance across our portfolio and in both cases, for simplicity, that we were not directly exposed to the offshore outage. On this basis, in answer to the questions posed.

1. With current information, whilst we would be exposed to increasing prices, if that exposure was minimal, we may not have taken action until the end of the day. However, if our exposure was significant, then that would make us go to the market earlier in the day, to minimise our risk to potentially increasing prices.

2. With information on outages at offshore terminals, then provided this information also included an estimate of the duration of the outage, this would allow a more accurate estimate of the overall position to be made by all shippers and would reduce the level and volatility of prices in the market throughout the day. This would mean that even with a larger exposure to price, it should mean us taking fewer actions to rectify any shortfall in our position.
3. We believe that with increased offshore information, including the duration of any outages, that the market will operate more efficiently and will result in lower and less volatile prices.
4. As we have noted in our previous response, the most significant cost exposure we will face is at Hornsea, if such information is made available there. Given the small number of users at Hornsea, not only the storage operator but also the users would be exposed to their commercial position being made known to the market in near-real time.

We believe that a more beneficial way of assessing the costs and benefits of the provision of improved information would have been to take two historic days, one in summer, one in winter. This would then allow each shipper to assess their actual position on the two days with the current and improved information.

I hope you find our comments helpful, and please give me a call if you would like to discuss any of the points made in more detail.

Yours sincerely

Rob McDonald
Director of Regulation