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Email:  
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Date : 26<sup>th</sup> Sep 2014

Dear Vanessa,

**Consultation on the modification of relevant United Kingdom (“UK”) legislation and licence conditions to ensure Great Britain’s (“GB’s”) compliance with the European legislative definition of gas day**

Thank you for providing SSE with the opportunity to respond to this consultation.

SSE’s view on the questions asked in this consultation is that they are very much focused on what is required to achieve strict compliance from a regulatory perspective. SSE has no substantial comments to make regarding these questions. Although required they ignore the wider consequences of the Gas Day change and the detrimental impact on the wholesale gas market.

It seems likely that there will be a mismatch between upstream and downstream physical flows due to different gas days being used. This is likely to lead to a mis-allocation of gas at domestic entry terminals. Estimations by the CVSL of a very small misallocation error of 0.3 % results in the industry and ultimately customers incurring a cost of £43m/yr. This ignores the potential for deliberate mis-allocation of gas which would have even higher cost implications for shippers and ultimately customers.

To avoid mis-allocation costs at beach entry points producers may stop delivery at the NBP and only sell at the beach. This would introduce inefficiencies and add cost to trading. In addition NBP liquidity could be reduced. The GB market relies on a liquid hub to attract imports of gas rather than opaque long term contracts. The loss of confidence in NBP liquidity could result in reduced attractiveness of GB as a destination for spot imports which will likely have an impact on cost and security of supply.

Issues go beyond misallocation and loss of liquidity. If the CVSL has an incomplete view of gas day flows they will not be able to validate the Daily Quantity (DQ) that National Grid publishes. Previous challenges by CVA have successfully challenged DQs made by National Grid and saved Shippers from unnecessary imbalance and subsequent cashout.

SSE is very concerned that these wider issues which are separate from legal compliance are not being fully addressed by Ofgem and DECC for implementation by October 2015. We look forward to Ofgem and DECC taking a leading role to resolve the dual gas day problem



which without resolution will result in increased costs to customers. We are willing to participate and help in any way to achieve a single gas day and maintain liquidity of the NBP.

Yours sincerely

Jeff Chandler  
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