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3 December 2001

Dear Tim

Response to PD15 – Options for Reforming the Interruptible Regime

EIUG has consistently supported the case for greater customer choice as far as interruptible supplies are concerned. We therefore endorse the principle that there should be a matrix of options, priced to reflect their economic value to the system operator, to which customers may elect to be exposed. However, we do have a number of serious reservations about how the alternative proposals outlined in PD 15 would work in practice.

Variable Duration Regime

The simplicity of this approach makes it superficially attractive. We are concerned that, customers opting for the 45-day service could be at greater risk of interruption than at present, depending on the uptake of other options. We note the possibility that security of supply could be affected if sufficient customers opted for lower levels of interruption. Furthermore, the terms in the example given are inconsistent with Ofgem's proposal in the SO Incentives Consultation (which we support) that Transco offer customers a maximum of 15 days interruption on the same terms and conditions as at present. The methodology behind the hierarchy of interruption is clearly a critical factor in how this approach might work in practice, and therefore whether it would be acceptable to customers.

Option and Exercise Regime

Under this approach, customers would receive greater reward for greater interruption (which we support) but would have to contend with transportation charges which would not be known until after the event – an unattractive prospect, but not necessarily an unmanageable one if the benefits are right. This approach should be explored further, but this will take time.

Implementation Issues

We agree with Transco's argument that it would be impractical to adopt radically new arrangements in a short timescale, and that it would be preferable to aim to make a change in October 2002. We strongly support the view that additional time is required to consider these proposals – this should involve all interested parties including customers.