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Mrs Fay Geitona
ERGEG
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Dear Mrs Geitona,

Gas Regional Initiative – Coherence and Convergence

I have set out below SSE's response to ERGEG's consultation on the implications of the gas regional initiatives in respect of longer term convergence.

Consistency in Common priorities

It is welcome that there is a good deal of consistency between the issues raised in each of the gas regional initiatives. While it is important that the regions converge towards arrangements that facilitate a European gas market, we believe that it is more important and that faster progress can be made by progressing work within the regions. This should be supplemented by periodic reviews to ensure that the regional approaches are moving towards similar arrangements so that longer term integration can be assured.

Transparency

We firmly believe that additional transparency is a pre requisite to increasing market confidence which will lead to further trading activity and hence greater liquidity at the gas hubs.

In the UK market, there is a great deal of transparency and a lot of information is available on terminal flow etc on the following web site.

<http://www.nationalgrid.com/uk/Gas/Data/EFD>

This is very useful and in our opinion is a good example of the degree of transparency that should be aimed for in the regional markets.

Interoperability

Since the gas flows between regions are not that significant, it would appear that there are no interoperability issues that would be a problem for future convergence. However, the entry/exit pricing arrangements proposed for the South-South East region could be an issue for longer term convergence. This is because it would require a much greater coordination of tariff mechanisms and distribution of tariff income to ensure each network operator was adequately compensated for the use of its network.

I hope you find our comments helpful and if you require any further information please do not hesitate to contact me.

Yours sincerely

David Densley
Head of European Affairs