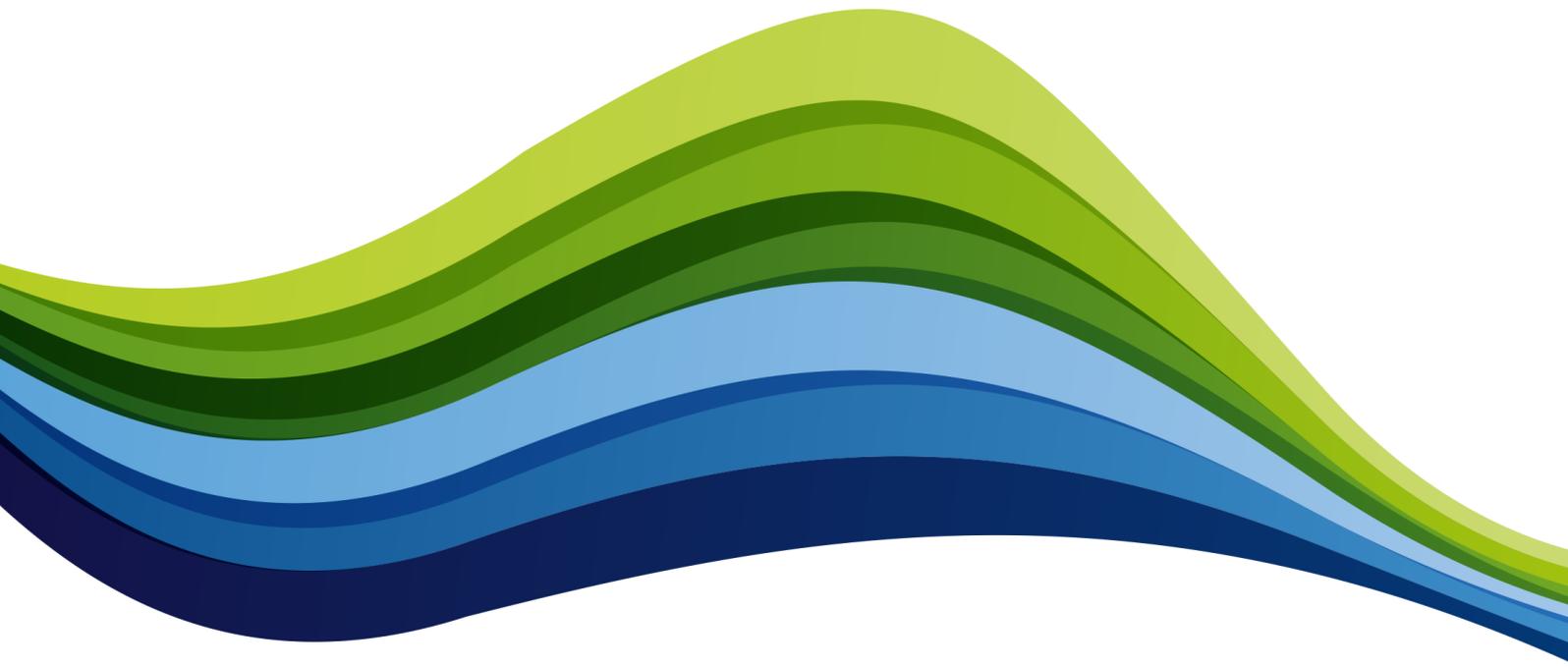


Financial Security Policy Draft Consultation

Implementation of A065: Financial Security

If you have any questions in relation to our response, please don't hesitate to contact me at lisa.fahy@sse.com



Introduction

SSE welcomes the opportunity to comment on GNI's draft financial security policy draft developed to implement code modification A065 on Financial Security as approved by the CER.

Response

Definition of days

SSE's comments are focused on the definition of days in the business rules. There are a number of sections where SSE feel consistency in approach and additional clarity would be beneficial.

Section 6.2 part J of the business rules state:

"When a shipper has used all of its posted financial security it will receive an automatic notification via GTMS and will be given three (3) business days to replenish its security. During this two day period, the shipper will be allowed to continue trading as normal without any requirements for financial security. This two day period will cease at the close of business, defined as 5:00 PM on the second business day".

This paragraph is confusing the wording should be corrected to state a period of 3 days rather than 2 days.

In addition, SSE notes a number of areas of ambiguity surrounding the definition of days as the policy uses calendar days, business days and days. SSE's view is that it would be sensible to standardise the use of days within the policy i.e. use calendar days in the calculations and business days for counterparty / transporter obligations and requirements.

By way of example, section 2.5 b (ii) it states:

"if sent by registered post, on the third (3rd) day following the day of posting or, if sent by airmail from overseas, on the fifth (5th) day following the day of posting";

While section 3.3 states:

"The Transporter may, at its sole discretion, request a certificate from a director of the Counterparty and/or an entity that has issued a Qualifying Guarantee or a Letter of Credit, in the form set out in Appendix 6 and, if so requested, the Counterparty shall deliver such certificate to the Transporter within 10 days of the request".

SSE's position is that Section 2.5 b (ii) should be business days as the post would not be delivered / received during bank holiday periods and therefore it cannot be assumed the letter has been received. Section 3.3 e states 10 days but there are other instances within the document where the counterparty has x no of business days to provide information.

The definitions set out in Section 5.5 are clear and would provide acceptable consistency in the policy. Section 5.5 states:

"If the Total Required Security Cover Amount is equal to or greater than the Total Posted Security Cover Amount, the Transporter shall send a notice to such

Counterparty requiring such Counterparty to provide additional Security Cover. The Counterparty shall have 3 Business Days to provide such additional Security Cover and shall, notwithstanding the other provisions of this Policy, be allowed to book Non-IP Capacity and participate in IP Capacity Auctions without providing such additional Security Cover during this period”.

Conclusion

In summary, SSE is broadly happy with the business rules as drafted. However, SSE is of the view that the standardisation of ‘days’ (as outlined above) would be beneficial to the industry and provide additional clarity on the interpretation of the rule set.