Scottish and Southern Energy

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Our Reference:
Your Reference:

Date : 17 Feb. 09

Dear Eddie,

Consultation Document NTS GCM 05:
NTS Exit (Flat) Capacity & Exit Reform

Thank you for providing Scottish and Southern Energy plc (SSE) with the opportunity to comment on the above Consultation Document.

SSE understands that any shortfall in TO exit capacity revenue will be recovered via a TO exit commodity charge. If all baseline capacity were sold at reserve prices then there would be no under or over recovery. It is not known at this time if current interruptible sites will use off-peak or firm capacity. We might be creating a solution to a problem that is not material or introduce widespread commoditisation of a capacity charge as in Entry. Not withstanding the above, SSE is supportive of GCM05.

We understand that DNOs and storage sites will not pay the exit commodity charge and we would appreciate confirmation of a zero reserve price for off-peak capacity.

SSE supports and agrees that the proposed changes listed below from GCM05 of the Transmission Transportation Charging Methodology meets National Grid Gas's relevant GT Licence objectives, specifically that:

- A consistent approach to setting actual, indicative and auction reserve prices for NTS Exit (Flat) Capacity is taken.
- Nodal NTS Exit (Flat) Capacity prices are generated.
- Interruption credits are removed.
- The prevailing methodology for NTS Exit Capacity Prices will be used for the purposes of determining Annual/Enduring Annual NTS Exit (Flat) Capacity prices and reserve prices for daily firm NTS Exit (Flat) Capacity auctions based on a single year network model, exit baselines plus incremental capacity and supply forecast for the relevant Gas Year.

- The expansion factor, the unit cost (£/GWhkm) of adding capacity, will be determined in year N in relation for setting all exit prices for year N+4.
- The anuitisation factor used (currently 0.10272) will be that calculated from the allowed rate of return, operating expenditure allowance and the assumed asset life (currently forty five years) implied by the NTS Licence at the time of setting prices.
- The NTS (Flat) Commodity charge rate would be determined from a combination of SO & TO charges; a new SO Exit (Flat) commodity charge will map onto and replace the current SO Exit Commodity charge and a new additional TO Exit (Flat) Commodity charge may be required to offset under recovery arising due to any shortfall between NTS Exit (Flat) Capacity charges and TO Exit allowed revenue
- These arrangements are implemented with effect from 1st April 2009

If you would like to discuss any of the above points please do not hesitate to contact me.

Yours sincerely

Jeff Chandler
Gas Strategy Manager
Energy Strategy