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Our Reference:  
Your Reference:

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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 supports and agrees that the proposed changes listed below from GCM05 of the Transmission Transportation Charging Methodology meet 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 for all proposals other than 0116A which requires no changes.
- Nodal NTS Exit (Flat) Capacity prices are generated.
- Interruption credits removed but a zero priced daily interruptible/off peak product is retained.
- The prevailing methodology for NTS Capacity process will be used for the purpose of determining Enduring/Prevailing NTS Exit (Flat) Capacity prices and reserve prices for annual and daily firm NTS Exit (Flat) Capacity auctions based on a single year network model and supply/demand forecast for the relevant Gas Year.
- The expansion factor will be determined in year N in relation for setting all exit prices for year N+4.
- The annuitisation factor used will be that calculated from the allowed rate of return implied by the NTS Licence, at the time of setting prices, and a forty year asset life.
- These arrangements are implemented with effect from the date of implementation of the relevant UNC Modification Proposal.

SSE believes the proposal contained in GCM05 satisfies the relevant methodology objectives and principles to:

- Where transportation prices are not established through an auction, prices calculated in accordance with the methodology should:
  - Reflect the costs incurred by the licensee in its transportation business.
  - So far as is consistent with the aforementioned cost reflectivity, properly take account of developments in the transportation business.
  - So far as is consistent with cost reflectivity and developments in the transportation business, facilitate effective competition between gas shippers and between gas suppliers.
- The prices generated from the Transportation Model are reflective of both the costs that have been incurred in making the physical system capacity available and the actual marginal costs that would be incurred by capacity release relative to the prevailing system capacity.
- The proposed Tariff model approach, where exit prices are adjusted (additive) rather than a commodity approach, is that it preserves the locational price differentials between Entry points and between Exit points and hence preserves the relative cost-reflectivity.
- Similar to National Grid's view, SSE believes that competition can be promoted in terms of the development of the NTS Charging Methodology by making it simple and easy to understand such that prices can be replicated and forecast by Users.

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