



20 February 2009

Eddie Blackburn
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Dear Eddie

The following is the Scottish Power response to

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

Thank you for giving us the opportunity to respond to this re-consultation document. We do so as a gas shipper, connected customer and storage operator. We also offer this response, in addition to the comments in our previous response, and related to the specific questions.

We believe that *a consistent approach to setting actual, indicative and auction reserve prices for NTS Exit (Flat) Capacity* should be taken and has been taken in the charging methodology.

We support the *generation of Nodal NTS Exit (Flat) Capacity prices*.

Interruption credits are removed with this approach, which is consistent with the licence condition and UNC mod 0195AV.

We support the following, which have been included in the methodology:

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 annuitisation 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;

This is consistent with the existing arrangements at entry, although we feel that exit capacity is so very different from entry that we do not expect significant over or under-recovery. Also the reserve prices and auction methodology are set on a considerably different basis.

a new SO Exit (Flat) commodity charge will map onto and replace the current SO Exit Commodity charge and

We support this.

a new additional TO Exit (Flat) Commodity charge will be required to offset under recovery arising due to any shortfall between NTS Exit (Flat) Capacity charges and TO Exit allowed revenue

We believe that the over and under-recovery mechanisms should be consistent and preferably set at the same time for transparency ahead of bidding in an auction. Otherwise the mechanisms could be determined once the outcome of the auctions has been realized.

We agree that *these arrangements are implemented with effect from 1st April 2009*

Should you have any queries on the views expressed, please contact me on the telephone number as shown.

Yours Sincerely,



Commercial & Regulation Manager (Gas)
Scottish Power Energy Wholesale