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Our Reference:

Your Reference:

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Dear Eddie,

**Consultation Document NTS GCM 09:
TO Over Recovery Mechanism**

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 GCM09 of the Transmission Transportation Charging Methodology meet National Grid Gas's relevant GT Licence objectives, specifically that:

Trigger

- The mechanism trigger is linked to National Grid NTS's obligation not to exceed the maximum NTS transportation owner revenue (TOMRt) by more than 4% in any year and not to exceed the maximum NTS transportation owner revenue by more than 6% over any two consecutive formula years
- Process would be triggered at any point during the formula year

Mechanism

- The full over recovery amount would be available in the first month of over recovery
- Credits would be paid based on monthly buy-back costs rather than 'net buyback costs' (buy-back costs less over-run and daily capacity revenue) with daily capacity and over-run revenue potentially representing an additional credit
- Any remaining excess revenue would be rolled forward to the next month
- Any remaining excess revenue at the end of the formula year would fund retrospective credits to offset buy-back costs earlier in the formula year

SSE believes that the proposals contained in GCM09 would satisfy the relevant methodology objectives as:

- In improving the efficiency of the process, the likelihood of over recovery is reduced and hence the aggregate charges would more closely reflect the costs incurred within the formula year.

- The proposal modifies the TO Over-recovery mechanism to take into account past and potential future changes to the NTS Entry Capacity regime and hence “takes into account developments in the transportation business”.
- The proposal retains the principle that credits are paid in relation to capacity holdings and hence capacity revenue is returned to capacity holders without creating an incentive to procure more capacity than might otherwise have been the case.
- The proposal will ensure that where over-recovery occurs within a month, due to the RMSEC auction, the over recovery will first offset buy-back costs in that month before being used to offset buy-back costs at other times in the formula year.

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

Yours sincerely

Jeff Chandler
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