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Our Reference:

Your Reference:

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Dear Eddie,

**Consultation Document NTS GCM 10:  
TO Entry Commodity Rebate 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 GCM10 of the Transmission Transportation Charging Methodology meet National Grid Gas's relevant GT Licence objectives, specifically that:

**Trigger**

- TO Entry Commodity rebate mechanism would be triggered if there remained residual over recovery amount after accounting for any revenue redistributed by the buy back.
- The process would be triggered at the end of the formula year.

**Mechanism**

- As specified by GCM09.
- Any residual over recovery, as a result of the buy-back offset process, to be made available as a rebate to shippers.
- Credits only paid if residual over-recovery in excess of £1M.
- The calculation of the remaining TO over-recovery amount and the TO Entry Commodity Revenue paid.
- The above ratio would be capped at 1.
- The rebate of TO Entry Commodity charges paid based on ratio.
- The rebate to be paid via April invoice following formula year.

SSE believes the proposal contained in GCM10 satisfies the relevant methodology objectives as:

- 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. In addition it should properly take account of developments in the transportation business, and finally it should facilitate effective competition between gas shippers and gas suppliers.
- In improving the efficiency of the TO Entry Commodity 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”.

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