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15 May 2009

Dear Eddie,

**Scotia Gas Networks Response to NTS Consultation Paper NTS GCM 16:  
Supply and Demand Balancing Rules and Supply Source Data**

Thank you for providing Scotia Gas Networks (SGN) with the opportunity to comment on the questions raised in the above Consultation Document. The response below is based on the "Areas for Consultation" section (Section 7).

**Areas for Consultation**

National Grid invited responses on the following areas discussed in the paper to inform the development of a charging methodology:

**i. The proposed option (Option 9) is the most appropriate methodology for achieving a supply and demand match in the Transportation Model.**

In terms of the statistical analysis presented Option 9 does generally produce lower variability in the exit capacity charges than Option 1 - the prevailing methodology - with the exception of 2012/13, when the results are identical. However of the three options analysed, in terms of the variability of the exit charges, it seems to be Option 6, not Option 9, which produces the results with the lowest variability. For 2008/09, 2009/10 and 2010/11 the results for Option 6 and Option 9 are identical, while for 2012/13 Option 6 shows lower variability.

Under Option 6 supplies are split into only two groups, whereas under Option 9 they are split into 6 groups. Splitting supplies into fewer, larger groups may provide more flexibility in meeting demand which could be reflected in more stable charges and lower costs. In view of this, SGN considers that Option 6 may merit further consideration.

**ii. The TYS is the most appropriate source of supply data for beach supplies**

This was generally agreed by respondents to the Discussion paper and SGN agrees the TYS to be the most appropriate source of supply data for beach supplies.

**iii. Physical capability is the most appropriate source of supply data for all other (importation and storage) entry components.**

Again this was generally agreed by respondents to the Discussion paper and SGN agrees that physical capability would be the most appropriate source of supply data for importation and storage entry components.

**iv. ASEPs should be capped at the obligated entry capacity level.**

SGN do not disagree with this proposal.

**v. It is appropriate to use Section 4.6 of the TYS to identify entry points that are under construction and the year that they are due to become operational.**

SGN do not disagree with this proposal.

**vi. New entry points should only be included as available supply in future years if they are under construction.**

SGN do not disagree with this proposal.

**vii. This proposal should be implemented for entry capacity released from 1<sup>st</sup> October 2009 i.e. from a September 2009 QSEC in the first instance.**

SGN do not disagree with this proposal.

**viii. This proposal should be implemented for exit capacity from 1<sup>st</sup> October 2009.**

SGN do not disagree with this proposal.

Yours sincerely,

Mike Bedford  
Director of Regulatory Finance