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Dear Debra,

**Consultation Document NTS GCM 18:  
NTS Entry Capacity Retention Charges**

Thank you for providing Scottish and Southern Energy plc (SSE) with the opportunity to comment on the above Consultation.

SSE is not supportive of the proposed Charging Consultation.

NG NTS have proposed that as part of the Substitution methodology a Retainer payment could be introduced to prevent capacity from being substituted. Specifically, it is proposed that the NTS Entry Capacity Retention Charge in regard to non-incremental obligated entry capacity would be calculated based on the minimal capacity charge rate of 0.0001 pence per kWh per day applying over a time period of 32 quarters; this equates to 0.2920 p/kWh of entry capacity retained or £32 k for 10 mcm of capacity for the protection period of 1 year.

The implementation of Substitution was to avoid sterilisation of capacity and consequently ensure efficient investment. SSE is supportive of this principle but does not believe that the Retainer methodology achieves this.

The Retainer approach allows Users to pay a nominal fee for capacity that is not cost or value reflective of the reserve price of a all ASEPs. As such it does not meet the primary objective of the charging methodology to reflect the costs incurred by the licensee in its transportation business and consequently does not meet the Licence Objective.

The Retainer payments add to the complexity of the entry regime and consequently create a barrier to new entrants. By failing to facilitate competition the proposal fails the third objective of the charging methodology, i.e. to facilitate competition.

In addition, NG NTS have proposed that NTS Entry Capacity Retention Charges and refunds in regard to non incremental obligated entry capacity would be treated as TO revenue. This would result in reduced TO Entry Commodity Charges in the case of charges incurred for retained capacity or increased TO Entry Commodity Charges in the case of subsequent refunds. Although we can understand the logic we believe the added complexity will again further detract from facilitating effective competition.

SSE believe the 2 Stage Auction methodology is a better solution and should be implemented for the following reasons:

1. The User commitment to buy capacity is more cost reflective being based on the ASEPs specific reserve price, rather than an arbitrary, non cost reflective, generic retainer payment.
2. It will make use of the existing QSEC process and avoid the added complexity of Retainer payments as discussed above.

Please do not hesitate to give me a call if you wish to discuss this further.

Yours sincerely

Jeff Chandler  
Gas Strategy Manager  
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