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Our Reference:
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Dear Andrew,

Consultation on NTS EXCR

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

The ExCR has become a document of considerable length and complexity. At a time when significant investment is required in the UK's infrastructure this complexity is unfortunate. With hind-sight it would have been better from a development perspective to have included the detail of the ExCR in the UNC. We welcome NG's informal pre-consultation that allowed early comments and concerns to be raised and in some cases accommodated.

In response to the specific questions SSE provides the following comments:

SSE support NG's proposed solution to remove the revenue driver and User Commitment obligation from the initialisation of the enduring arrangements where incremental capacity has been released above baseline before 1 Oct 2008 and is applicable in the transition period. Currently this would be scaled back to baseline in the initialisation process in May and Users would have to signal incremental capacity from Oct 2012 and make the associated user commitment from that date. Regarding the cut off date of 1 Oct 2008 we do not support this arbitrary date and consider that before the 1st April 2009 should be used as the date of implementation of 0195 AV.

Q1.SSE do not support NG's proposal to introduce a four year user commitment in the transition period. We do not consider this to be appropriate, since this is a feature of the enduring arrangements and should not be implemented earlier. It has only been possible for NG to bring forward this issue due to the governance arrangements of the ExCR. In retrospect SSE believes that too much of the detail of exit reform has been left for inclusion in the ExCR and would have been better placed in the UNC and the more rigorous modification proposal process.

Q2. SSE welcomes the introduction of the principle of early discharge of the user commitment, where the User Commitment Amount has been satisfied. However, we do not recall discussions regarding paying the balance of charges should prevailing exit capacity charges fall and the User Commitment Amount is unsatisfied after 4 years. (para 75, 76) Again, it has only been possible for NG to bring forward this issue due to the governance arrangements of the ExCR

Q3.SSE believes that the proposed requirements to have NTS exit points specified in the Licence will extend the lead-time for delivery of capacity unnecessarily. It undermines detailed industry discussions that have taken place to establish appropriate application timescales that were understood to fit with forecasting and planning requirements of participants and investment. It is inappropriate that such significant changes should be introduced out with the modification process.

It has also been suggested that revenue drivers are required to allow NG to determine future transportation charges at the time capacity is due to be released in order to calculate User Commitment. Again, we believe this is fundamentally flawed. The User Commitment is an arbitrary figure. Capacity charges in 3 years time will not bear any relation to the investment undertaken by NG NTS and capacity charges in 3 years time are likely to be very different from the original assumption for a number of reasons. We hope NG and Ofgem to seek to streamline these processes to provide clarity to participants and to shorten the lead-times involved. This is of a particular concern in respect of the ad hoc process.

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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