

ScottishPower

energy management

Debra Hawkin
Regulatory Frameworks
National Grid
NG House
Gallows Hill
Warwick
CV34 6DA

05 March 2008

0141 568 2464

0141 568 4909

Dear Debra,

The following are Scottish Power's comments on

NTS GCD 05: Options for an SO Commodity Charge for NTS Storage Facilities

Thank you for giving us the opportunity to respond to this discussion document. We do so as a gas shipper, customer and storage operator.

We appreciate the work undertaken by National Grid in their analysis and work to put in place a mechanism to achieve an objective first agreed with PC73.

We believe that this proposal represents the most appropriate solution to date in terms of valuing the costs associated with the commodity flows to storage, but we have concerns about the delivered benefit of this proposed charge and its impact on development and use of gas storage.

We believe that it would be wrong to treat storage flows in the same way as other offtakes. With storage offtakes, the gas ultimately comes back into the system, and a number of arguments have been well made in the paper and agreed previously regarding this.

We agree that any costs levied should reflect the costs associated with the flow.

In this case we have seen analysis by National Grid demonstrating that the redistribution effects are minimal. Indeed, our own analysis has shown the difference created by this charge to be negligible.

We have concerns over the adoption of a charge that looked as though it would actually cost more to administer than any derived benefit for both industry parties and the network.

Our biggest concern is also that the implementation of such charges might discourage future necessary investment in the UK storage market. We still have a very low ratio of gas storage to consumption, and we believe that investment in, and use of storage should be encouraged.

However, should we chose not to introduce a charge at the present time for these prudent reasons, I think we should also do similar analysis on a regular basis to see how the costs associated with storage flows change over time – and determine when it may be more appropriate to implement a charge in future.

Should you have any queries on the views expressed, please contact me on the telephone number as shown.

Yours Sincerely,



Commercial & Regulation Manager (Gas)
Scottish Power Energy Wholesale