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Dear Eddie,

**Scotia Gas Networks Response to NTS Discussion Paper NTS GCD 06:
Supply and Demand Balancing Rules in the Transportation Model**

Thank you for providing Scotia Gas Networks (SGN) with the opportunity to comment on the questions raised in the above Discussion Document. The response below is based on the "Questions for Discussion" section (Section 6).

Questions for Discussion

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

Q1. Do respondents consider the preferred option, Rule Three, to be transparent and cost reflective

SGN considers that Rule Three does appear to be more transparent and cost reflective than Rules One and Two, but not apparently more so than Rules Four to Seven. Where a number of Rules appear to be roughly equivalent in terms of transparency and cost reflectivity then Scotia would prefer the Rules which appears to give the greatest degree of price stability in the Exit Capacity charges. From the evidence presented in this paper this does appear to be Rule Three. However Scotia would like to see further analysis presented of the impact of the different options on different entry and exit points.

Q2. Do respondents consider any alternative options to be more transparent and cost reflective?

SGN does not.

Q3. Do respondents consider an option differing from those proposed to be more transparent and cost reflective?

SGN does not.

Q4. Do respondents consider averaging supply data from a number of Ten Year Statements to be an appropriate approach to dampening entry and exit price volatility?

SGN does have concerns about the degree of Exit price volatility it may experience from October 2012 onwards when it becomes responsible for paying DN Exit Capacity charges. However Scotia would support the use of the latest TYS rather an average of a number of years as the latest TYS should be the best view of the situation when it is created. The

proposal to average supply data over a number of TYs would appear to run counter to one of the main reasons for adopting the Transportation Model in the first place, which was to move away from the 10 year averaging used by Transcost.

Q5: For each of the four supply types; Beach, Interconnector, LNG Importation and Storage, which data source do respondents consider to be most appropriate to use for charge setting purposes?

- **Obligated Entry Capacity**
- **Physical Capability**
- **Ten Year Statement**

SGN considers that it may be appropriate to use different sources of data for different sources of supply. In particular the TYs may be the best source of data for beach flows, while Physical Capability would be best for storage, LNG Importation and Interconnectors. However, again more information on the implications of using the different sources of data would be helpful in reaching an informed decision.

Yours sincerely,

Mike Bedford
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