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Dear Eddie,

NTS GCD 08: NTS Entry Charging Review

Thank you for providing SSE with the opportunity to comment on the above Discussion document.

SSE is supportive of this review. We believe that TO capacity revenue should be recovered through capacity charges and that under recovery of capacity charges should not be commoditised as this is not cost reflective. The current under–recovery of £180 m from allowed revenue of £293 m, acts as a barrier to new entrants because they have to pay commodity costs in addition to capacity costs. Whereas, Users of existing entry points could only pay TO commodity costs. This could be considered to be discriminatory and will act as a barrier to new importation and storage projects, adversely impacting on security of supply.

Consultation Questions

Q1. Whether the objectives of the review are appropriate, namely to identify any charging methodology and/or UNC modifications required to;
a. Continue to recover allowed revenue while achieving the NTS Licence and EU relevant charging objectives.

SSE agree that any proposed changes to how revenue is recovered should be in accordance with the NTS Licence and EU relevant charging objectives.

b. Maximise the proportion of NTS TO target entry revenue recovered through entry capacity charges.

SSE agree that proposed changes implemented through this review process should seek to maximise the proportion of NTS TO target entry revenue recovered through entry capacity charges.

c. Appropriately incentivise long term booking of NTS Entry Capacity.

It would be advantageous to have long term bookings of capacity act as a guide to future system usage. However, SSE do not believe that it would be consistent to incentivise long term capacity bookings whilst simultaneously it is proposed that incentives to book short term capacity are removed.

d. Appropriately differentiate by price between the NTS Entry Capacity products made available.

SSE do not support the current practice of discounting firm and interruptible day ahead and within day capacity products as it is exacerbates the current under recovery.

e. Incentivise Security of Supply.

Yes, by removing the incentive for short term bookings.

Q2. Whether a phased implementation approach, as suggested by the ECRG, is appropriate, with;

a. Phase 1 comprising removal of entry capacity discounts and

SSE is supportive of removal of entry capacity discounts and a phased approach.

b. limiting the release of interruptible capacity to when firm capacity has sold out or is close to selling out.

SSE is supportive of limiting the release of interruptible capacity to when firm capacity has sold out or is close to selling out.

c. Phase 2 covering further changes in light of experience of phase 1 including the potential re-introduction of price multipliers for daily and monthly capacity.

The industry should await the change in behaviour and resulting revenue recovery before implementing phase 2.

Q3. Should the 50-50 entry-exit TO revenue split within the Charging methodology be retained or should an increased proportion be allocated to exit with a reduced proportion for entry

SSE is opposed to changing the 50-50 entry-exit TO revenue split. No information has been presented to demonstrate that any change to the proportion of revenue recovery from entry or exit would be more cost reflective.

Q4. Should the TO Entry Commodity charge continue to apply uniformly to all entry gas flow allocations excluding storage and "short-haul"?

Yes, it is important that storage and "short-haul flows are excluded from TO commodity charges. To impose TO commodity charges on storage injections and withdraws would be to double charge as the gas has already entered/exited the NTS. To impose the charge on shorthaul usage would disincentivise the use of shorthaul and ultimately increase SO commodity costs to all users.

Q5. Should the prevailing quarterly, monthly and daily entry capacity products, auction timings, and auction frequencies be changed or reviewed?

No. SSE do not consider this to be necessary at this time.

Q6. Removal of Discounts

a. Should the discounts that apply to day-ahead (DADSEC) firm daily entry capacity be removed?

Yes.

b. Should the discounts that apply to within-day (WDDSEC) firm daily entry capacity be removed?

Yes

b. Should a revised calculation for day-ahead (DADSEC) and within-day (WDDSEC) firm daily entry capacity apply such that both prices (p/kWh/day) are equal to the rolling monthly auction reserve prices?

Yes.

c. Should the zero reserve price that applies to daily interruptible entry capacity (DISEC) be retained?

No.

Q7. UNC Changes

a. Should the calculation of the Daily Interruptible NTS Entry Capacity quantity released be reviewed?

Yes. Such that interruptible capacity is only made available once firm capacity has sold out or is close to selling out.

b. Should Daily Interruptible NTS Entry Capacity at each ASEP be limited to when the firm entry capacity at the ASEP has sold out or is close to selling out?

Yes.

c. Should the revenue from the sale of within-day obligated NTS Entry Capacity continue to be redistributed via the entry capacity neutrality mechanism?

No. SSE believe that the revenue from within day obligated capacity sales should feed through to TO capacity revenue and not via the current SO commodity neutrality mechanism.

Q8. Licence Changes

a. Should the Licence clearing obligation be removed?

Yes. SSE believe that all capacity should be offered for sale but not that it necessarily must be offered for sale at zero price. Clearly as less gas is available from the UKCS some ASEPs will never be sold, even at a zero price. Better that the obligation forces NG NTS to make the capacity available at a non-zero price.

b. Should the revenue from the sale of within-day obligated NTS entry capacity continue to be treated as SO revenue or should it be treated as TO

No. SSE believe that the revenue from capacity sales should feed through to TO capacity revenue and not via the current SO commodity neutrality mechanism.

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

Yours sincerely

Jeff Chandler
Fuel Strategy Manager
Energy Strategy