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Our Reference:
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Date: 3 December 2010

Dear Andrew,

The Exit Capacity Substitution and Revision Methodology Statement

Thank you for providing SSE, with the opportunity to comment on the above consultation.

SSE supports the principle of exit and entry substitution as this will result in the economic and efficient use of the network; prevent unnecessary investment and stranding of spare capacity. However, where necessary we have commented where we still do not agree with NG NTS below.

- **Substitution to apply for capacity releases from Y+4 only**

SSE agrees with the point in paragraph 19(1) that any capacity available to use before 1st October Y+4 will not be substitutable capacity. This was an underlying assumption through the development process and the idea of using substitution to provide capacity as early as M+7 only emerged after the informal consultation in September. The main principle supporting the case for exit substitution was avoiding investment, but investment would not be avoided if capacity were released from M+7.

In addition, a Shipper at a potential donor exit point may be reliant upon off-peak capacity, baseline capacity at that exit point could, at Y+4, be substituted away. In this event, the Shipper would be concerned that the loss of baseline capacity, and resultant tightening of the system, would lead to a greater risk of curtailment. Hence they would wish to switch to firm capacity by “recovering” the baseline through a request for incremental capacity. Application of the Y+4 rule would ensure that the increased risk of curtailment for the off-peak

capacity, pending delivery of the necessary works to release incremental capacity, is limited to one year. The M+7 rule would potentially lengthen the period that off-peak Users would need to wait.

- **Capacity covered by a financial commitment excluded from Substitutable Capacity**

SSE agrees that any NTS exit capacity at Exit Points in respect of which a User or Reservation Party has made a financial commitment shall not be Substitutable Capacity. However SSE does not agree that the works must be on-going at the time of the substitution analysis. It is adequate that the financial commitment has been made.

- **Recipient exit point order changed. Highest revenue driver selected first**

SSE is supportive because it should ensure that the maximum avoided investment can be achieved.

- **Exchange rate collar removed**

SSE welcomes the decision to omit exchange rate collars from this methodology statement as we believe this creates a lack of transparency of capabilities of the network.

SSE consider that any collar would be inefficient in that if a 1:1 collar had been introduced baselines would have been reduced more than is necessary, and probably at more locations, in order to deliver the incremental capacity at the recipient exit point. In addition, it would have created 'spare or unallocated' capacity in the network about which there would be not transparency.

- **Partial substitution included subject to suitable revenue driver. Criteria clarified.**

SSE acknowledges that having a revenue driver agreed might assist in identifying economic or uneconomic substitution or investment. However we disagree that substitution should not occur nor capacity be released at all if a revenue driver has not been agreed in advance and included in the licence. This is because this is at NG NTS's discretion and Users have no control over the process.

SSE would anticipate in the intervening period that capacity is released to Users and a default revenue driver established on a regional or incremental size basis to ensure capacity is allocated to Users and efficient decision regarding investment or substitution are made.



- **National Grid discretion to override methodology in case of unsatisfactory outcomes removed.**

SSE welcomes the decision to omit National Grid discretion to override the methodology. SSE believes that discretion should lie with the Authority to reject inappropriate substitution proposals as a final check against unforeseen consequences that result in inefficient substitution.

- **Clarification on availability of capacity whilst substitutions are being considered**

SSE is supportive of the availability of capacity whilst substitutions are being considered as stated in 19(j) and 70. As such, until the Authority's decision on substitution is known capacity from potential donor points should not be offered for substitution.

However SSE has some concerns that for ad-hoc applications submitted in October there could be a delay of up to four months before there is any clarity on available capacity to meet the ARCA request. SSE would seek assurance that the timescales for providing offers as detailed in the UNC will be met even during this period.

- **Revision of NTS baseline flat Capacity**

We note NG has not made any changes to this part of the document yet we would like to record that our comments to the informal consultation in respect of this remain unchanged. We continue to be concerned over transparency regarding spare or unallocated capacity and how this complies with EU legislation to publish technical capacity.

Please do not hesitate to contact me if you wish to discuss any of the responses to this consultation further.

Yours sincerely

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