

Scottish & Southern Energy  
Grampian House  
200 Dunkeld Road  
Perth  
PH1 3GH  
Direct Tel: 01738 457909  
Direct Fax: 01738 456194  
Email: Jeff.chandler@scottish-southern.co.uk  
1  
22 March 2007

Jan Gascoigne  
Regulatory Frameworks  
National grid  
National Grid House  
Gallows Hill  
Warwick  
CV34 6DA

Dear Jan

**Consultation Document NTS GCM 04:  
Introduction of NTS Exit (Flexibility) Capacity Charges under the Enduring  
Offtake Arrangements**

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

In addition to answering the specific question SSE would like to make the following comments:

- SSE does not support the introduction of an exit flexibility capacity. SSE does not believe that all offtakes at the NTS need to be treated the same; Shippers compete in a competitive market and Distribution Network Operators operate in a regulated regime. Treating all offtakers in the same way may lead to a loss of diversity of utilisation and will introduce unnecessary complexity and cost.
- SSE believe the current NEXA arrangements adequately facilitate the usage of varying gas offtake at power station direct connects without adding further complexity and cost.
- SSE considers that the imposition of capacity flexibility charges will result in an increase in risk premiums when submitting BOAs and PGBTs in the electricity market. This will subsequently increase BSUoS charges and the cost of electricity to customers. SSE believes this to be detrimental to competition and will impact on the provision of demand side response.

In answer to the specific question:

Q6.1 National Grid NTS invites views on whether the proposed changes to our Gas Transmission Transportation Charging Methodology meet National Grid Gas's relevant GT Licence objectives, specifically that:

- a zero reserve price for all NTS Exit Zones is introduced for the annual auction of NTS Exit (Flexibility) Capacity, the first of which is proposed under Modification 0116V to be held in July 2007;

- the reserve price for daily NTS Exit (Flexibility) Capacity would be the same as the reserve price for annual Exit (Flexibility) Capacity, with the first daily auctions proposed under Modification 0116V to be held in October 2010

SSE considers that a zero reserve price should be applied for NTS exit flex capacity at all NTS exit zones for the annual and daily auctions. SSE understands that allocations will result from the current asset base and National Grid NTS state that no direct investment signal can be given to release incremental flexibility capacity. Flexibility capacity is generated as a by-product of flat capacity and therefore there should be no reserve price.

If you would like to discuss any of the above points please do not hesitate to contact me.

Yours sincerely

Jeff Chandler  
Gas Strategy Manager  
Energy Strategy