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Our Reference:

Your Reference:

Date : 30 Oct. 08

Dear Stephen,

**Consultation Document DNPC04:
Retrospective Negative TO Entry Commodity Charge & Separate Management of K**

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

In response to the specific questions raised SSE offers the following comments:

1. Should the charging methodology be changed so that the balance between LDZ System charges and Customer charges for each DN is based upon a network-specific estimate of the split of relevant costs?

SSE is supportive of the principle of cost reflective charging and is supportive of this proposal. It has been proposed that the apportionment of revenue recovery between LDZ System and Customer charges within each DN should be updated to be reflective of each DN's own costs. This will mean a different percentage split of the revenue recovered from LDZ System charges and Customer charges for each DN.

The present methodology for setting the balance of LDZ System and Customer charges is to reflect the balance of costs which these charges relate to. The LDZ System charges primarily reflect costs related to the use of the LDZ system and the Customer charges mainly reflect those costs incurred in providing an emergency service and the provision of service pipes. An increase in LDZ System charges will be accompanied by a decrease in Customer charges for transportation to directly connected users.

2. Should the DNs rebalance the LDZ System and Customer each time the level of charges is changed or should DNs rebalance the LDZ System and Customer charges only if the forecast revenue split deviates from the cost-reflective target split by more than a set threshold value, if so the DNs would welcome feedback as to whether the threshold should be set at +/- 1%, 2% or at another level

It is important to suppliers and customers that there is relative price stability. As a consequence we want to avoid unexpected constantly changing charges. An annual review of charges would provide certainty as to timing. It is important that we avoid infrequent large step changes to charges. In addition it is important that there is sufficient notice as to future changes to charges to allow time to update systems and inform customers.

3. Is there any reason why the proposal should not be implemented from 1st April 2009?

SSE are concerned by the short timescale for implementation. Whilst there is no requirement to give 5 months notice of a price change made under a change proposal. SSE believes this is at odds with the licence requirement to give 5 months notice of a normal/annual price change.

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