



Grampian Hse
200 Dunkeld Road
Perth
PH1 3GH

Denis Aitchison
Scotia Gas Networks

E:mail: Jeff.Chandler@
scottish-southern.co.uk

Our Reference:
Your Reference:

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Dear Denis,

**DN Pricing Consultation Paper DNPC 06:
LDZ Exit Capacity Charges**

Thank you for providing SSE with the opportunity to comment on the above Consultation Document.

With effect from 1 October 2012 NG NTS will cease to levy NTS Exit Capacity Charges direct to DN shippers. The DN will instead charge the DN shippers to recover the cost of these NTS charges.

There are other NTS charges, including TO Entry Capacity charges, Entry and Exit Commodity charges and Short-haul charges, which will continue to be levied by NG NTS and will not affect the LDZ NEC Charges applied by the DNs.

SSE has the following comments to make on the specific questions:

1. *Should LDZ Exit Capacity charges be based on a flat rate pence per peak day kWh per day rate in the same way as the NTS Exit Capacity charges are?*

To prevent undue complexity in charging and maintain cost reflectivity, SSE believe that capacity charges should continue to be based on a flat rate pence per peak day kWh per day rate in the same way as the NTS Exit Capacity charges.

2. *Should LDZ Exit Capacity charges be applied by Offtake or by Exit Zone?*

LDZ Exit Capacity charges should be applied by Exit Zone. SSE believe Exit Zone charging is the most cost reflective and because it maintains the current arrangements is the most practical.

3. *Should the misalignment of NTS and DN dates for changing charges be addressed by the DNs seeking to change the LDZ Exit Capacity Charges in October or*

should no change be sought until the industry has some experience of the operation of the new regime.



SSE are sympathetic to the rational that LDZ Exit charges could be changed to an October year start from an April start, thus aligning them with the NTS charging year. In the event that there is an under or over recovery in charges then having the same charging year for both NTS & DN charges could lead to less changes and hence more stable prices. However, it has yet to be demonstrated that this is a material issue. SSE believes the situation should be monitored and only when a compelling case has been made should the change be consulted on again.

4. Should we introduce a separate “K” for the LDZ Exit charges, for the purposes of setting the level of the charges.

SSE believe it would be more cost reflective to introduce a separate K factor for LDZ Exit charges, similar to the mechanism that was established for NTS exit capacity charges in GCM 12.

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

Yours sincerely

Jeff Chandler
Head of Gas Strategy
Energy Strategy