

Denis Aitchison  
Scotia Gas Networks

Our Reference:  
Your Reference:

Dear Denis,

**DN Pricing Discussion Paper DNP 04:  
LDZ Exit Capacity Charges**

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

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 now or should some alternative be considered.*

To prevent undue complexity in charging, 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, by Exit Zone or by Network as discussed in section 3.1, should they be included in the existing LDZ system charges or should some other alternative be considered.*

Normally SSE would support changes to a methodology that produce the most cost reflective prices over more stable prices. However, we do not want to implement changes that result in additional costs that will ultimately be passed through to customers. Currently, SSE does not have sufficient information available to state a preference. To assist, we would require a forecast of UK Link & billing system costs if charges were to be charged by Individual Offtake or Exit Zone.

We do not support a methodology that sets charges at a Network level; includes NTS costs in the DN cost analysis or Scales existing LDZ system charges as these methodologies appear to be significantly less cost reflective compared with Individual Offtakes or Exit Zone charges.

- 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  
Gas Strategy Manager  
Energy Strategy