



SCOTTISHPOWER

Energy Wholesale

Tim Davis
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24 March 2010

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Dear Tim,

The following is the Scottish Power response to

**DISTRIBUTION NETWORKS EXTENSION TO PRICING CONSULTATION
PAPER DNPC06
Proposals for LDZ Charges to Recover NTS Exit Capacity Costs
A Paper on behalf of all Distribution Networks**

Thank you for the extended opportunity to give our thoughts on this pricing consultation paper, having missed the original opportunity to respond.

Our primary concerns are the overall level of distribution network charges, since this is what feeds through to our customers, and the cost-reflectivity of the charges that are applied.

We expect overall levels of charging to reduce, reflecting at last the benefits of the Distribution Network sale and regime change. To see the overall levels of charging reduce are more important than the naming of the various component charges.

Clearly, a comparison of what networks now charge across all charges compared with previous distribution charges will be the most obvious test of whether exit regime reform was in customers' interest, or whether the Distribution Price Control is appropriate.

1. Should LDZ ECN 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?

Yes. We believe that these charges should be based on a flat rate p/pkdaykWh/d rate as they are at present to avoid undue complexity or change.

2. Should LDZ NEC Charges to be applied by Network or by Exit Zone?

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We strongly believe that these should continue to be applied by Exit Zone and remain unconvinced that the absolute volatility is so dramatic to warrant making the charges less cost-reflective.

3. Should the misalignment of NTS and DN dates for changing charges be addressed by the DNs seeking to change the LDZ NEC Charges in October or should no change be sought until the industry has some experience of the operation of the new regime?

We would prefer to see an alignment of the distribution and transmission charge changes to allow for more stability and would prefer this annually in April or October. LDZ NEC charges should also be changed at the same time as other LDZ charges so that we can determine exactly how much we are paying to evaluate whether these charges are cost-reflective or fair and delivering value for consumers.

4. Should the DNs seek to introduce management of a separate K ECN relating to the LDZ ECN charges, for the purposes of setting the level of these charges?

Yes, we believe that this is the most cost-reflective approach and it would be consistent with other areas of transportation charging.

Should you have any queries on the views expressed, please contact me on the telephone number as shown.

Yours Sincerely,



Commercial & Regulation Manager (Gas)
Scottish Power Energy Wholesale