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Dear Julian,

Modification Proposal 0210: Implementation of DNPC03, the Alignment of the IFA Charge

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

SSE is supportive of proposal 0210.

Following on from the Ofgem decision, which allows the GDNs to 'amend their charging methodologies with effect from 1 October 2008 so that:

- The proportion of revenue collected from the Use of System capacity charges increases from 50% to 95%, while the proportion collected from Use of System commodity charges decreases from 50% to 5%.
- Interruptible supply points pay capacity charges equal to 47.37% of those paid by an equivalent firm connection, so maintaining the existing value of capacity charge discounts received by these supply points'.

The modification proposal implements the amendment to the charging methodologies and seeks to ensure consistency in paying the same level of charges in the interim period until October 2011.

The IFA Charge payable to the DN Operator as a single charge in October of each year (not National Grid NTS) is calculated as equivalent Firm LDZ Capacity Charge, based on the Firm Allowance, less any capacity payments expected over the subsequent 12 months made in respect of the Firm Allowance and paid as interruptible LDZ Capacity Charge, (resulting from the implementation of DNPC03 on 1st October 2008).

In addition, as part of the modification proposal, it has been highlighted that an incorrect reference to 10.5.3 within the UNC Transition Document Part IIC 10.4.2 has been made. As

pointed out by the proposer, this should refer to 10.4.3 and SSE is supportive of this amendment.

SSE agrees that the implementation of appropriate charging methodologies will help to ensure that there is no inappropriate discrimination between different market sectors and that, in this instance, charges to interruptible sites remain cost reflective and Users are not in receipt of inappropriate 'discounts' or subject to inappropriate failure and IFA charges.

Please do not hesitate to give me a call if you wish to discuss this further.

Yours sincerely

Jeff Chandler
Gas Strategy Manager
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