

ScottishPower

energy management

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Dear Andrew,

The following is the Scottish Power response to National Grid's Consultation on **"The Entry Capacity Transfer and Trade Methodology Statement"**

We would first thank National Grid for the publication of this document. It would have been preferable to have completed the consultation process and finalise the document prior to the most recent auctions. However, we do believe this document is much clearer and well written in comparison with earlier methodology statements. This is particularly useful given the complexity and lack of transparency that characterises the entry capacity auctions.

We have already expressed our opinion on the proposed changes in our response to modification proposals 0150 and 0151. We do not believe that storage sites should be treated in the same way as Entry terminals. This has given rise to a lot of the problems the industry has experienced recently in securing capacity access and we believe has undermined the auction process.

In our view transfer and trade of sold capacity from an ASEP where there is insufficient capacity – i.e. sold out with unsuccessful bidders - should not be permitted. The methodology has gone one step beyond where it should have gone (limited to unsold trades and transfers) – and has resulted in meaningless auctions, no capacity signals, hoarding and speculating behaviour. New connections to the system in the constrained area may also be discouraged. The arrangements certainly makes storage development unattractive when potential developers will not be allowed access to their facilities because there is a constraint at another entry point, regardless of third party access. There may be no possibility to send signals for future investment because of the ability to move capacity from one sold-out ASEP to another.

It is important that we emphasis the importance of the nodal maximum referred to in the statement. We are moving towards zonal capacity charging, and we think this could be dangerous. Zonal capacity booking undermines the auction methodology and potentially makes the reserve price irrelevant. Another effect on the ability to send signals is uncertainty over which parts of the system will be grouped together in zones. We prefer to see the system considered in its entirety, with an appreciation of the nodal physical characteristics of each ASEP.


We agree that the cost of buy-backs should be taken into account when determining the transfer rates. The assumption is that this will at least reference the reserve prices and the maximum paid at auction to maintain some internal validity for the auction methodology.

On the specific question referred to in the covering letter – we agree that there should be a cap on the level that the transfer rate could reach without being effectively considered a zero rate. Any guess of what the ratio would be would be arbitrary on our part. However, we would suggest a zero exchange rate for all

trades and transfers in the most recent AMSEC auction, and a zero exchange rate for all capacity where the donor ASEP has insufficient capacity to meet bidders requirements!

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

Yours Sincerely,



Commercial & Regulation Manager (Gas)
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