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Dear Samanta

Long Term Development Statements

You have asked for comments on the letter from Andrew Walker dated 8 March 2005 in regard to Ofgem's current thinking on future arrangements for producing Long term Development Statements (LTDS) by gas transporters. In particular, you ask for comments on:

- the scope and format of LTDS produced by the NTS and each DN;
- the timing of publication of LTDS for the NTS and each DN; and
- a provision requiring each GT to keep the content of its LTDS under review.

We are pleased to provide SSE's comments below. In summary, while we support the concept of LTDS, in our view the DN development process could be made more open without necessarily involving a lot of additional work, provided that it is recognised that the LTDS is only a set of plans and is subject to change – more so down the pressure tiers and in later years of the plan

Scope of the LTDS for each DN

While we welcome Ofgem's recognition of the costs, security implications and confidentiality concerns, we still question the need for or benefit from a significant increase in the scope of the statements beyond the information at the level currently provided by Transco. We do not believe this would in practise improve the transparency of DN development plans or better inform the commercial decisions of participants in the energy industry.

- *full description of the development plans at the LTS level, including details of all expected projects and forecasts for 10 years ahead;*

Existing NTS development plans are primarily supply led. This enables long term plans to remain relatively static over a long period. The demand-driven investment is either generic and marginal by nature, or specific (e.g. associated with a power station) and well determined.

In contrast, network development plans are primarily demand driven and hence planned over a shorter time horizon. With the exception of a small number of large projects, the network development plans therefore do not in general lend themselves to a "long term statement". Take for example if DNs were to be required to publish details on the timing of projects. The degree of certainty on the year of delivery reduces the further along the plan period - timing can change as demand forecasts are revised and network validation occurs. The timing of a pipeline project is sensitive to demand and could be indicative at most.

In addition, to require a full description of all projects and forecasts for 10 years ahead is onerous and unnecessarily detailed. Limitation to a brief description, timing and purpose would be appropriate and give considerably more information than at present. If anyone required more detail then we believe this would be best dealt with on an ad hoc basis.

- *development plans for the intermediate pressure system, including details on significant projects;*

Even on the LTS there can be some relatively minor projects which have little impact on capacity. There are likely to be even more on the lower pressure tiers. In addition, progression down the tiers results in the associated projects being impacted on more by local growth the magnitude of which is difficult to predict with any certainty and the timing of which is even more variable. Therefore we would suggest that a minimum value for inclusion of projects would be appropriate at [say] £1m.

It is also our understanding that DNs plan for IP development on a 5 yearly basis and therefore any indications beyond 5 year could not be project specific.

Scope of the LTDS for the NTS

We agree that the LTDS should discuss how development plans on the NTS relate to development plans on the DNs. It is also appropriate that the NTSs LTDS should also take account of LDZ demand and supply forecasts provided by DNs in their statements rather than rely solely on its own forecasts at the LDZ level. However, this has implications for the timing of the LTDS, and we comment on this below.

Format of LTDS for the NTS and DNs

In principle it seems reasonable that DNs should follow Transco's current Transportation Ten Year Statement as closely as possible, however it would appear that there is much in the NGT Ten Year Statement which is solely applicable to the NTS.

Timing of publication of LTDS by the NTS and each DN

Ofgem's letter suggests that DNs could publish their LTDS by 30 September each year, while the NTS could publish its LTDS by 31 December of each year. While we recognise, and support, that this provides the opportunity to reconcile differences and produce consistent LTDS, this makes the process totally sequential which may make the DN and NTS plans incompatible. If there are any significant differences between the plans, these should be highlighted and resolved before publication.

We would suggest that DNs prepare and send their draft plans to NGT by 30th September, with comments to be returned by mid-November so that NTS and DN plans could be finalised and be compatible at the year end.

In addition, the Ofgem letter suggests that the NTS should produce a single industry development statement. This seems inappropriate. Instead the NTS could be required to produce a single composite document within which DN plans should be seen alongside the NTS plans in a consistent format but clearly independent.

Future review

We would agree and expect that gas transporters should keep the form of the LTDS under review, and revise the statement when appropriate. However, this should not be more frequent than an annual requirement.

If you would like to discuss this further please give me a call.

Yours sincerely

Rob McDonald
Director of Regulation