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Dear Leonardo

Gas System Operator incentives review: Initial consultation

SSE welcomes the opportunity to provide comment on Ofgem's initial review of the D-2 to D-5 forecast, Maintenance, and GHG emissions incentives.

SSE is supportive of the comments made in Energy-UK's response to this consultation. Please find our comments below.

Day-minus-2 to Day-minus-5 demand forecasting incentive

As per Energy-UK's response, we are aware that these demand forecasts are not widely used and SSE can confirm that it does not rely on the D-2 to D-5 demand forecasts. Therefore, any improvements to the forecasting incentive would be of limited value. We believe priority should be focussed on the D-1 forecast.

SSE believes the incentive should strike the right balance between creating a challenge whilst having potential for upside for outperformance and also considering the potential cost and benefit to customers. To date National Grid has outperformed against its target.

If this incentive is retained then we believe that the incentive revenue cap should be significantly reduced or removed altogether and the target tightened to present more of a challenge. We believe a reputational incentive should be considered since incentive revenues to National Grid are paid from SO charges, which will form part of shipper / supplier costs, which are ultimately reflected in customers' bills.



Maintenance incentive

Whilst SSE welcomes the improvements in National Grid's maintenance planning since the introduction of this incentive, we do not yet believe there is enough data to fully review its effectiveness. Based on the data available, SSE would suggest that further tightening of the target (a target reduction) would be beneficial but would like to see the incentive reviewed again in another 2 years when more data is available.

Greenhouse gas (GHG) emissions incentive

SSE believes a downside only incentive continues to be appropriate and that the inclusion of a reputational incentive could also be beneficial, given national grid's commitment to reducing emissions.

SSE will be happy to provide further comment on the initial proposals when published by Ofgem. If you would like any further information in the meantime please get in touch.

Yours sincerely

Lois Wares
Regulation