



St Lawrence House  
Station Approach  
Horley  
Surrey  
RH6 9HJ

James Thomson  
Ofgem  
9 Millbank  
London  
SW1P 3GE

1 October 2014

Dear James,

**Consultation on changes needed to implement new arrangements for incremental gas transmission capacity (PARCAs)**

Scotia Gas Networks (SGN) welcomes the opportunity to respond to Ofgem's consultation on changes needed to implement new arrangements for incremental gas transmission capacity (PARCAs).

**Summary of our views**

We have read Ofgem's consultation with interest and offer the following comments in response to Question 5 of the consultation as discussed below.

*Question 5: Do you agree with adding phase one as an excluded service?*

We note this modification can have a negative impact on gas distribution networks (GDNs) where generalised growth requires us to enter into a PARCA.

Unlike a directly connected end user, we are responsible for providing capacity on our own networks to millions of customers. Where generalised growth occurs which would require NTS investment, the relevant GDN would be responsible for the Phase 1 fee which may not be recovered.

Although we appreciate the reason behind the fee is not to socialise costs incurred by NTS, and that such costs should be picked up by the user triggering the investment, this is not a fair arrangement for GDNs where the need has been triggered by the social capacity requirement on a specific network.

In our view, this highlights the flaws of the current capacity arrangements where GDNs are treated in the same manner as NTS directly connected customers. We would encourage Ofgem to actively put in place safeguards to protect GDNs from incurring such costs that will be out of their direct control.

24 hour gas escape number 0800 111 999\*  
\*Calls will be recorded and may be monitored

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Should require any further information to our consultation response, then please do not hesitate to contact either Erika Melen at [erika.melen@sgn.co.uk](mailto:erika.melen@sgn.co.uk) or myself at [paul.mitchell@sgn.co.uk](mailto:paul.mitchell@sgn.co.uk) .

Yours sincerely,

Paul Mitchell  
**Regulation Manager**