



Grampian House
200 Dunkeld Road
Perth
PH1 3GH

Andy Burgess
Associate Partner: Transmission &
Distribution Policy
OFGEM
9 Millbank, London, SW1P 3GE

Email:
Jeff.Chandler@sse.com

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Dear Andy,

Statutory Consultation on National Grid Gas Transporter licence changes needed to implement new arrangements for incremental gas transmission capacity - PARCAs

Thank you for providing SSE with the opportunity to respond to the PARCA consultation. The PARCA will primarily be relied upon to ensure the development of new gas fired generation plant. Any uncertainty in the PARCA process will deter investment by placing unacceptable risk on the PARCA applicant through the electricity Capacity Market penalty regime and could impact security of electricity supply in GB.

Key to ensuring the PARCA works is to remove regulatory uncertainty and risk. When capacity is to be provided by substitution, it would be vastly preferable for Ofgem to approve substitution at the time of reservation of capacity by the PARCA applicant at the end of phase one of the PARCA process. Ofgem's proposal does not approve the release of capacity through substitution until the end of phase three. However, before this decision the applicant will need to compete in the Electricity Capacity Auction. This means the applicant runs the risk of Ofgem not approving capacity allocation by substitution. In the event that gas capacity substitution was not approved, the PARCA applicant would need to re-apply and wait whilst National Grid obtained planning permission and built new capacity. This could take seven years, ensuring that any capacity market contract start date would be missed and potentially expose the applicant to excessive losses through the Capacity Mechanism. Clearly, Boards making investment decisions will be reluctant to take on an exposure to such regulatory risk.

It would be better if substitution were approved at the time of reservation with a mechanism by which it is amended should the project planning be rejected.

Yours sincerely

Jeff Chandler
Head of Gas Strategy
Regulation and Strategy