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Dear John,

Modification Proposals 0230 & 0230A – Amendment to the QSEC and AMSEC Auction Timetables

Thank you for providing Scottish and Southern Energy plc (SSE) with the opportunity to comment on the above Modification Proposal.

SSE is not supportive of proposal 0230 and supports proposal 0230A.

Under Modification Proposal 0230, Users would need to wait 18 months between QSEC auctions to bid for long-term capacity and this may delay new investment and gas coming to the UK. Importantly, now that substitution has been delayed after April 2009 there is no longer a compelling case not to have a QSEC in March 2009.

SSE believes that the benefits of Proposal 0230A are that it ensures the established auction structure is maintained until March 2010. This will ensure that no unnecessary gaps appear between capacity auctions, which might otherwise increase the risks facing Users by reducing and restricting their options to purchase long-term entry capacity (as proposed in Modification Proposal 0230).

SSE believes that Proposal 0230A would, if implemented, better facilitate the following Relevant Objectives as set out in the Gas Transporter's Licence:

- In respect of Standard Special Condition A11 1(a), the efficient and economic operation of the pipe-line system, the Proposal would enable utilisation of the final summer build period prior to delivery of Incremental NTS Entry Capacity for construction activities ensuring the timely delivery of that capacity, which reduces the risk of gas being stranded offshore and the risk of investment related buybacks.
- In respect of Standard Special Condition A11 1(d), the securing of effective competition between Users, the Proposal would avoid Users having to wait 18 months between long-term capacity auctions (as proposed in Modification Proposal 0230), thereby giving Users greater

certainty about their ability to bring gas to the UK in the future and hence reducing risk and uncertainty in the market.

Please do not hesitate to give me a call if you wish to discuss this further.

Yours sincerely

Jeff Chandler
Gas Strategy Manager
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