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Date : 13 Feb. 09

Dear John,

**Modification Proposals 0230 AV & 0230.**

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

SSE does not support 0230 and is supportive of 0230AV.

Under Modification Proposal 0230, Users would need to wait until March 2010 for the next QSEC auction to bid for long-term capacity and this may delay new investment and gas coming to the UK. Whereas, 0230AV retains the September QSEC 2009, which at the last QSEC Users would not have known was at risk of removal.

SSE believes that:

- 0230AV removes the issue of the same capacity being offered in 2 different auctions at different prices by shortening the AMSEC period to 18 Months from 2 years and amends the definition of Capacity Year.
- reducing the duration of the AMSEC, removes monthly booking opportunities for the last 6 months. Although capacity can be booked in Quarters in the QSEC this change does reduce choice that is currently available to Users.
- having future AMSEC and QSEC auctions February & March respectively will be manageable given sufficient notice of the change and that once established we have stability.
- moving the QSEC auctions to March from September makes it more likely that NG NTS will achieve entry lead times of less than the default 42 months. This reduces the requirement to use Entry capacity permits in their price control and may result in maximum residual value for those permits being achieved. We understand that the maximum value of these permits on Entry is £36 m and trust that Ofgem has and will take this into account in NG NTS Price Controls.

SSE agrees with the proposer that Proposal 0230AV would, if implemented, better facilitate the Relevant Objectives as set out in the Gas Transporter's Licence in respect of the Standard Special Conditions listed.

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

Yours sincerely

Jeff Chandler  
Gas Strategy Manager  
Energy Strategy