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Modification Panel Secretary
Joint Office of Gas Transporters
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Dear John

Modification Proposal: 0240 Promoting Competition in Operating Margins Provision.

Thank you for providing Scotia Gas Networks with the opportunity to respond to Modification Proposal 0240. SGN is supportive of this Modification proposal.

National Grid Gas accepted NTS Special Licence Condition C25 at its last Transmission Price Control; this requires National Grid NTS to use reasonable endeavours to promote competition in the provision of Operating Margin (OM) services by 1st April 2009. In order to support this Licence Condition the proposal aims to extend the definition of OM Gas Delivery Arrangements to allow the OM services to be provided by NTS connected supply and demand sources and Distribution Networks.

SGN note that NGG will need to obtain the approval from the HSE to a material change to the Transporters Safety Case to acquire OM from providers other than Storage Facilities and or LNG Importation Facilities. SGN considers the proposed changes to the UNC, tender submission & acceptance together with the HSE approval would be challenging. Consideration should be given to extending the licence implementation to allow for more time for the industry to prepare tenders which will allow for greater participation and ultimately more competitive bids.

SGN consider implementation of this proposal would facilitate the achievement of the following Relevant Objectives:

A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

SGN agree implementation would benefit the operation of the system by allowing OM to be utilised for up to 24 hours following damage to or failure of any part of the NTS instead of restricting OM use to the Gas Flow Day. This therefore removes the significant operational difficulties should such an OM event occur close to the end of a Gas Flow Day.

Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;



SGN believe implementation of this Proposal would allow National Grid NTS to meet its Licence obligations as set out in Special Licence Condition C25, and would enable National Grid NTS to use reasonable endeavours to promote competition in the provision of OM services by 01 April 2009.

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:

SGN believe implementation of this Proposal facilitates further competition in the provision of Operating Margins services.

We hope you find these comments helpful.

Yours sincerely

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