

Grampian House
200 Dunkeld Road
Perth
PH1 3GH

John Bradley
UNC Modification Panel Secretary
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
B91 3QJ

E:mail: Jeff.Chandler@scottish-southern.co.uk

Date : 24 Aug 2009

Dear John,

Modification Proposal 0261

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

SSE is supportive of Proposal 0261.

This Proposal mitigates the risk of a User's ability to defer their exit Capacity commitments. Presentations made by NG NTS have demonstrated that the level of risk is materially lower than that for entry capacity deferrals. This is because Users have to provide Demonstration Data or meet 4 years worth of capacity charges for incremental capacity. In addition, experience to date has been that if the original shipper defaults then the exit point has been used by another shipper. We believe this will continue to be the case in the future as the value of a directly connected asset is materially more than the cost of exit capacity.

Nevertheless, exit capacity deferral could lead to revenue expected to be recovered from a User being redistributed to other shippers if the original User fails to meet their commitment. To mitigate this NG NTS proposes to remove the current ability for the User's Annual NTS Exit (Flat) Capacity to lapse. Therefore Users will be required to meet their capacity commitments as and when they become due and payable for the next 12 months.

It is anticipated that these changes will enhance current incentives for Users to submit the required security. The results of these changes are as follows:

- If the User's Value at Risk exceeds 100% of the User's Code Credit Limit, due to the User's Enduring Annual and Annual NTS Exit (Flat) Capacity for the twelve

months commencing from the first day of the next calendar month, being included, then the Transporter will notify the User of such an event, giving such User 2 Business Days to provide the additional security.

- If a User does not increase its Code Credit Limit by providing additional security, then the User will be subject to the associated sanctions detailed within Section V3.3.2. These sanctions will continue to apply until the security is provided, as the User will no longer have the option to allow their capacity to lapse.
- Should the User choose not to put sufficient security in place and the charges become payable, then current provisions within UNC TPD Section V 3.0 Code Credit Limits and Section 4.0 Discontinuing Users and Termination will apply.

SSE agrees with the Proposer that implementation would better facilitate the relevant objectives as detailed in the Modification Proposal.

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