



Modification Panel Secretary
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3QJ

11 June 2007

Dear Julian,

Modification Proposals 0143: Reduction of lapse periods in respect of failure Notices issued in respect of Energy Balancing Credit.

Thank you for providing Scotia Gas Networks with the opportunity to comment on the above Modification Proposal.

SGN supports implementation of Modification Proposal 0143.

Modification proposal 0102 was raised last year following discussions at the Energy Balancing Credit Committee (EBCC) regarding financial exposure to Users from smeared energy balancing charges in the event of a shipper failure. EBCC sought to reduce that risk by limiting the period over which debts could accrue prior to a termination notice being issued. Ofgem rejected that proposal, over concerns that removing the Failure Notices would remove the safeguards to alert the affected Users to the fact that it was infracting the Code.

This revised proposal 0143 was raised in response to Ofgem's decision and seeks not to remove the Failure Termination Notices but to reduce the lapse time period between the User defaulting and the issuing of Failure Termination notices.

Implementation of this proposal would introduce more robust energy balancing credit arrangements. SGN agree with the proposer that by reducing the lapse period the extent and/or duration of National Grid NTS' actions as a residual systems balancer are likely to be reduced and this would better facilitate the Relevant Objective specified in the Special Standards Condition A11.1 (a); the efficient and economic operation of the pipe-line system.

This proposal would be expected to reduce the level of risk faced by Users. Reducing the risk of financial loss to the Shipper community resulting from the operation of the Energy Balancing regime would be expected to better facilitate the Relevant Objective specified in the Special Standards Condition A11.1(d); securing of effective competition between Shippers.

Additionally the measures identified within this modification proposal would ensure that robust procedures and best practice measures are in place to minimise the impact on the industry of User failure and therefore should help facilitate the achievement of Relevant Objective

specified in Special Standards Condition A11.1(f); the promotion of efficiency in the implementation of the Network Code and/or the Unified Network Code.

We hope you find these comments helpful.

Yours sincerely

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