



Modification Panel Secretary
Joint Office of Gas Transporters
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27th February 2008

Dear Julian

Modification Proposal 0198: Extension of the Current Sunset Clauses for Registration of Capacity at NTS Exit Points

Thank you for providing SGN with the opportunity to comment on the above Modification Proposal. SGN offers its full support.

As stated in the Modification Proposal, the Uniform Network Code has been developed on the basis that offtake arrangements would expire and be replaced by enduring arrangements which would take full effect from 1st October 2011. As there is currently no direction to implement alternative arrangements, this Modification Proposal simply seeks to extend the current regime for a further year. If the proposal was not implemented DNO Users would have no means of securing firm offtake capacity or pressure commitments from National Grid NTS beyond 30 September 2011. Given licence and safety obligations, this would not be an acceptable position.

Ofgem has issued a statement clarifying how they plan to progress NTS Offtake Reform. We believe Modification Proposal 0198 provides a pragmatic interim solution until a satisfactory conclusion is reached.

We believe Modification Proposal 0198 better facilitates relevant objective A11.1(a) and (b) in so far as it allows DNO Users and National Grid NTS to continue to signal and enter into firm capacity and pressure commitments, facilitating the planning process. The proposal will allow Transporters to make informed, economic and efficient investment and operating decisions. The proposal also better facilitates relevant objective A11.1(c) in so far as Transporters will continue to be able to meet licence obligations in relation to safety and security of supply. We note however that capacity and pressure commitments will continue to be limited to a 4 year period, for Gas Years 2008/09, 2009/10, 2010/11 and 2011/12. This 4 year limit is a consequence of uncertainty regarding enduring arrangements. The intention at DN sales was to allow planning over a 5 year horizon under enduring arrangements, as was the case pre DN sales. Continuation of a 4 year limit could be considered to be detrimental to the above relevant objectives.

SGN note this is the 3rd Modification Proposal to extend arrangements and would argue that continued uncertainty increases risk for participants and is ultimately detrimental to

competition. We would urge the regulator to draw this to a satisfactory conclusion within the timescales provided under this proposal.

We hope you find these comments helpful.

Yours sincerely

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