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Dear John,

### **Modification Proposal 0240 –Promoting Competition in Operating Margins Provision**

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

SSE is supportive of proposal 0240.

Special Condition C25 has been introduced into NGG's Transporter Licence which requires National Grid NTS to use reasonable endeavors to promote competition in the provision of Operating Margin (OM) services by 1st April 2009. To facilitate the above it is proposed that the definition of OM Gas Delivery Arrangements be extended so that OM services can be provided by NTS connected supply and demand sources and DNs, in addition to gas storage.

However, NGG will need to secure the approval from the HSE to a material change to the Transporters Safety Case to allow procurement of OM from providers other than Storage Facilities and or LNG Importation Facilities. SSE considers the timescale for implementation of UNC change, tender submission & acceptance and the above HSE approval to be very ambitious. In fact the number of tenders received may be limited due to the timescale. 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.

SSE believes that the proposal will better facilitate the relevant objectives of Standard Special conditions:

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

this Proposal would enable Operating Margins gas 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;  
this Proposal would enable National Grid NTS to meet its Special Condition C25 whereby it requires 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:  
(i) between relevant shippers;  
this Proposal is facilitating further competition in the provision of Operating Margins services.

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