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Modification Panel Secretary
Joint Office of Gas Transporters
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31 Homer Road
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8th May 2009

Dear John

Re: Modification Proposal: 0246A: Quarterly NTS Entry Capacity User Commitment

Thank you for providing Scotia Gas Networks with the opportunity to comment on the above Modification Proposals. SGN do not support this Modification Proposal and provides the following comments.

This proposal is a response to the Review Group 0221 which was tasked to look at whether the current credit arrangements in place for securing Entry Capacity are sufficiently robust and provide the correct balance of risk between the various UNC Parties.

The proposal aims to reduce the risk to the industry of parties' failure to meet their Entry Capacity Commitment. Our concerns with mod 0246A are around the scope of the risk that the proposal is trying to reduce. The proposal would require security for all existing and new Entry Capacity. This places a significant cost on Users and appears to be a disproportionate response to the current situation. The approach set out in Modification Proposal 0246B provides a more pragmatic solution to the risks the industry currently faces.

We have also reviewed the Modification Report based on the extent to which implementation of the proposed Modification would better facilitate the relevant objectives and would like to provide the following comments.

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives.

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system;

SGN consider implementation of this proposal would help to ensure the efficient development of the NTS where new Entry Capacity is secured.



Standard Special Condition A11.1 (c): the efficient discharge of the licensee's obligation under this license;

Increasing User commitment for New Entry Capacity as set out in this proposal will help further this relevant objective as Users would face increased costs for capacity not used and this may reduce unnecessary investment on the NTS. However the additional costs for securing existing capacity are significant.

4. The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

b) Development and capital cost and operating cost implications

The aim of this proposal is to ensure Users commitment for Entry Capacity this mod should help to reduce unnecessary investment on the NTS. Funding for the development of the system changes will be via the User pays process.

We hope you find these comments helpful.

Yours sincerely

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