



St Lawrence House
Station Approach
Horley
Surrey
RH6 9HJ

Modification Panel Secretary
Joint Office of Gas Transporters
First Floor South
31 Homer Road
Solihull
West Midlands
B91 3LT

08 May 2009

Dear John

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

Thank you for providing Scotia Gas Networks with the opportunity to comment on the above Modification Proposals. SGN supports 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. This proposal would require security for all new Entry Capacity and guaranteed via the existing security tools. This approach provides a more pragmatic solution to the risks the industry currently faces whilst ensuring costs are minimised. It establishes User commitment for future capacity and ensures investment in the system is appropriately secured through the existing credit tools. As the mod only applies to future capacity Modification Proposal 246B allows Users to put in place credit arrangements before bidding for new capacity therefore enabling them to understand their financial exposure before making a long term commitment.

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.

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

Steven Sherwood
LTS Commercial Manager
Steven.Sherwood@scotiagasnetworks.co.uk