

Richard Todd
Network Sales
National Grid Transco
NGT House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Head Office
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

CC: Sonia Brown, Ofgem

Date: 18 March 2005

Dear Richard

Gas Distribution Network Sales – Consultation on Network Code Arrangements

Thank you for the opportunity to respond to the above consultation.

SSE is one of the largest energy companies in the UK. It is involved in the generation, transmission, distribution and supply of electricity; gas storage; and the shipping/supply of gas to customers connected to both the gas National Transmission System (NTS) and Distribution Networks (DNs).

As you will be aware, in addition to these existing activities, in August 2004, a consortium 50% owned by SSE agreed to acquire the South of England and Scotland DNs from Transco plc. Our proposed acquisition of the DNs will therefore mean that we are involved in all aspects of the gas wholesale trading arrangements placing us in a unique position within the industry, and, we believe, in a well balanced position to comment on this consultation.

SSE has been closely involved in the DN Sales process from the outset. As a consequence, we are aware of the underlying principles and objectives of all the work required to achieve the sale.

We believe that substantial progress has been made in recent weeks such that the UNC that has been issued by Ofgem for consultation takes account of the complexities associated with translating Transco's Network Code into a multi-transporter/shipper arrangement.

We have attached a series of appendices to this letter with our detailed comments on the package of reforms that would bring the UNC into effect:

- The Transportation Principal Document, The Modification Rules, The Transition Document, General Terms and the Incremental Exit Capacity Statement;
- The Offtake Arrangements Document;
- The Agency Services Agreement; and
- The Joint Governance Agreement.

We believe that all of the issues raised in the attached are capable of being addressed in the next round of legal drafting and we look forward to actively participating in that process.

In the meantime, if you would like to discuss any of these issues further, please do not hesitate to get in touch.

Yours sincerely

Rob McDonald
Director of Regulation