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Scottish-Southern.co.ukDate : 16th February 2010

Dear Ian,

Notice of modification of the Special Conditions of National Grid Gas Plc's Gas Transporter Licence in respect of its National Transmission System under Section 23 of the Gas Act 1986

Thank you for providing Scottish and Southern Energy (SSE) with the opportunity to comment on the above consultation. Please find our comments below.

We do not believe the proposed modifications of the Special Conditions of National Grid Gas Plc's Gas Transporter Licence are required at this time. Ofgem has suggested that it may be inappropriate to apply restrictions on charges to NG LNG where a competitive market exists. Whilst we agree with this principle, as stated in our response to the January 2010 Operating Margins (OM) Contestability consultation, we do not believe there is effective competition in this market at this time.

Based on information presented by NG in recent OM Statements and Procurement Guidelines Reports, we believe NG LNG continues to command over 50% of the OM market (measured in terms of booked space and storage capacity costs). NG LNG's unit costs are generally higher than most other non NG player. NG clearly continues to be a significant player and have a significant influence on OM costs to industry participants.

We believe there are other, more significant, issues that need to be addressed as a priority to allow competition to emerge, such as: contractual and commercial arrangements; liabilities; and HSE requirements. These issues are far more likely to dissuade potential service providers or have a negative impact on the outcome of the tender process, than the existing price caps.

I hope that our comments are helpful. If you would like to discuss any of the points raised in more detail, please do not hesitate to get in contact.

Yours sincerely

Claire Rathey
Regulation Analyst