

Lewis Hodgart
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Scotia Gas Networks
c/o Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

Our Reference:

Telephone: 01738 456400

Your Reference:

Facsimile: 01738 456415

email:

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Dear Lewis

Final proposals on extended transitional NTS Exit capacity and interruption incentive and formal licence consultation under section 23 of the Gas Act 1986

I am writing in response to Ofgem's letter dated 18 June 2007 and the associated formal licence consultation under section 23 of the Gas Act 1986 on the proposed extension of the transition NTS exit capacity and interruption incentive.

As you will be aware, we have a number of concerns with the existing transition incentive regime which, in our view, exposes the GDNs to risk over which it has no direct control. Nevertheless, we understand the rationale for extending the transition regime for a further year and, following our recent discussions, we will not object to the proposed use of revised targets for Southern Gas Networks.

Accordingly, Scotia Gas Networks plc accepts the proposed licence modifications of the Scotland Gas Networks plc and Southern Gas Networks plc as described in the Notice under section 23 of the Gas Act 1986 set out in Attachment 1 to Ofgem's above referenced letter.

Yours sincerely



Rob McDonald
Director of Regulation