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Dear John,

### **National Grid Gas (NTS) System Operators Environmental Incentive**

Thank you for providing Scottish and Southern Energy plc (SSE) with the opportunity to comment on the above consultation.

SSE do not believe it is appropriate for National Grid (NG) to have an Environmental Incentive relating to the natural gas vented from NTS compressors and other plant. We believe that it is unnecessary as methane leakage is already incentivised through the gas shrinkage incentive. We did not support the original incentive and do not support its further extension. In fact the incentive should be modified such that it only penalises NG for the release of methane and in no way acts as another reward mechanism.

Managing shrinkage should be a routine part of core business for a reasonable and prudent system operator. This is recognised by NG themselves in their Environmental Policy Statement 2009. We believe NG are already adequately incentivised to minimise shrinkage through the UAG incentive and to further reward them under the guise of an “ environmental incentive” is rewarding them twice and is excessive.

SSE do not have direct experience of operating the gas transportation network. Consequently we have no way of knowing if the level of venting of gas from plant operation is reasonable but it appears that the financial reward for NG to reduce the level of shrinkage by 2000 tonnes or nearly 1 million therms is excessive at £1 million.

Please do not hesitate to give me a call if you wish to discuss this further.

Yours sincerely

Jeff Chandler  
Gas Strategy Manager  
Energy Strategy