

Draft Modification Report
Temporary Waiver of Two Months Notice Period to Effect a Change to Transco's
Transportation Charges
Modification Reference Number 0536
Version 2.0

This Draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

If this Modification Proposal is implemented, it is proposed that the transitional document of the Network Code is amended to specify that the provisions of Section B1.8.2 are waived from the date of implementation of this proposal (which Transco requests shall be as soon as is reasonably practicable and no later than 1 April 2002) through to 30 April 2002 inclusive.

Section B1.8.2 requires that not less than two months notice be provided by Transco prior to implementation of any revised Transportation Charges.

2. Transco's Opinion

Transco is in support of this Modification Proposal which would enable the implementation of revised Transportation prices in compliance with GT Licence conditions, implementing in particular the outcome of Ofgem's proposed NTS SO incentive scheme, with effect from 1 April 2002.

Revised charges that may arise from such amendments will only be known once the drafting of the relevant GT Licence conditions is known. However, Transco's revised Price Control Arrangements will commence on 1 April 2002. Subsequently, Transco believes it may be necessary to waive the two month notice period normally required for changes to Transportation Charges to enable timely implementation of Ofgem's proposals.

3. Extent to which the proposed modification would better facilitate the relevant objectives

Transco believes that this Modification Proposal would facilitate compliance with the relevant objectives contained within Standard Condition 9(1)(b), i.e. the efficient discharge of Transco's obligations under its GT Licence.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

Transco does not anticipate that the implementation of this Proposal would have any impact upon the operation of Transco's System.

b) development and capital cost and operating cost implications:

Transco does not anticipate any such implications.

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

Not Applicable.

d) analysis of the consequences (if any) this proposal would have on price regulation:

Implementation of this Proposal would facilitate the timely alignment of revised Transportation Charges, in compliance with the revised GT Licence conditions and the outcome of Ofgem's proposed NTS SO incentive scheme, which is proposed to be implemented by 1 April 2002.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

It is not anticipated that there will be a change to the level of contractual risk to Transco as a consequence of this Proposal.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

No development implications on the computer systems of Transco or on the related computer systems of Users are anticipated.

7. The implications of implementing the Modification Proposal for Users

Implementation of the Proposal would create uncertainty for Users about the level of Transportation Charges from 1 April 2002.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

Consumers would face similar uncertainty to Users to the extent that any charges in Transportation Charges were passed through to themselves.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

No significant consequences on the legislative, regulatory obligations or contractual relationships of Transco and each User and Non-Network Code Party are anticipated as a result of the implementation of this Proposal.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages:-

- The timely implementation of revised Transportation Charges would be achieved, being aligned with the proposed implementation of revised price control arrangements (1 April 2002).
- Alignment of implementation dates may provide the industry with an element of certainty in respect of changes to the regime arising from Ofgem's proposals.
- Early implementation of changes to Transportation Charges would avoid the possibility of change being implemented on 1 April as presently proposed, but with a subsequent reversal when the notice period for changing charges has been served.

Disadvantages:-

- Users will have less than two months notice of changes to relevant Transportation Charges.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Transco now seeks representations in respect of this Modification Proposal.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Implementation is not required to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

If changes to Transportation Charges, arising from the GT Licence conditions and changes to the SO incentives scheme are to be implemented with effect from 1 April 2002 this Modification Proposal must be implemented.

14. Programme of works required as a consequence of implementing the Modification Proposal

There are no modifications required to the Transco Systems and therefore a programme or works will not be required as a result of implementing the Modification Proposal.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

Transco proposes implementation as soon as possible.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal is implemented.

17. Text

MODIFICATION [0536]

**TEMPORARY WAIVER OF TWO MONTHS NOTICE PERIOD TO EFFECT A CHANGE TO
TRANSCO'S TRANSPORTATION CHARGES**

[Draft] proposed legal text

Transition Document Part II, INTERIM TERMS

Amend paragraph 8.1.1. to read as follows:

“In respect of the calendar months 1 March 2002 to 30 April 2002 (inclusive) the requirements in Section B1.8.2. as to the giving of notice of changes to Transportation Charges shall not apply and Transco shall instead give such notice as far in advance of the date on which the proposals contained therein are to be implemented as is reasonably practicable.”

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Tim Davis
Head of Regulation NT&T

Date: