

08/02/04/01



03 February 1998

Direct Dial: 0171-932-1683
Our Ref : SMS/MOD/11

Mr Julian Madjanski
Service Development
Transco
1st Floor South
31 Homer Road
Solihull B91 6LT

Dear Julian

MODIFICATION 201 - REMOVAL OF THE V-FACTOR IN WINTER 1997/8

Ofgas supports the principle underlying this modification, that is, the removal of the V-factor, and would wish to see it adopted at the earliest opportunity. However, we recognise that shippers are concerned about the effect of changing this rule in the middle of the charging year (as they were with the modification proposal 205 to auction space and deliverability at Rough). On this basis, and as previously indicated in Kyran Hanks' letter of 23 December 1997, we have decided that this modification should not be implemented.

We note that the majority of shippers who responded supported the removal of the V-Factor in principle. BG Storage is at present consulting on its services at Rough services for the 1998/9 tender. This consultation proposes alternatives to using the V-Factor and, we are pleased to note, it is BG Storage's intention that the V-Factor should be removed.

Yours sincerely

A handwritten signature in cursive script that reads "Andy MacFaul".

Andy MacFaul
Storage Regulation