

97/12/18/06



17 December 1997

Direct Dial: 0171-932-1652

Our Ref : CMS/MOD/11

Mr Richard Gray
Process Manager, Network Code
Service Development
BG Transco
31 Homer Road
Solihull
West Midlands B91 3LT

Dear Mr Gray

MODIFICATION PROPOSAL 201 - Removal Of V-Factor Analysis in Interrupting Rough Space Only Deliverability Without Full Utilisation of Firm Deliverability

On 1 December 1997, Ofgas received a letter from NGC proposing the removal of the 85% rule on interrupting Rough space only deliverability. NGC also requested that the proposal be treated as Urgent.

Ofgas has considered the issues and concluded that the modification proposal should be treated as Urgent.

The main reason for this is that not proceeding urgently could have a significant commercial impact on customers. This could arise if demand on a particular day exceeds 85% of the 1 in 20 peak. If and when this happens, all gas booked on the interruptible service is held in storage, even though physical delivery is possible. The shortfall is then made up from other, more expensive, sources of gas.

Ofgas recognises that shippers have booked Rough services on the basis of the existing rules, but we consider that the commercial impact of the 85% rule is sufficient to warrant an Urgent review of the proposal put forward by NGC. We believe that interested parties should have the opportunity, at the earliest possible stage, to consider whether this arrangement is consistent with Transco's licence obligation to conduct its pipeline system in an economical and efficient manner.

We therefore suggest a timetable for consultation as follows:

- Transco circulates the modification proposal by Monday 22 December 1997;
- Transco holds an open meeting on 5,6 or 7 January 1998;
- deadline for representations on the proposal on 16 January 1998;
- Transco reports to Ofgas by Friday 23 January 1998; and
- Ofgas decides whether or not to accept the proposal in the week commencing 26 January 1998.

Proceeding on this basis would mean that, even if the modification proposal was implemented, the current rules would remain in force for most of the winter. However, at this stage we are simply agreeing with NGC that the proposal ought to be considered as a matter of urgency. We will of course listen to all arguments in the next four or five weeks and take account of any comments in deciding whether or not to accept the modification.

If you would like to discuss this please do get in touch.

I am copying this letter to Gary Cardone of NGC.

Yours sincerely

A handwritten signature in black ink, appearing to read "Nick Fincham", followed by a long, sweeping horizontal stroke.

Nick Fincham
Head of Connections, Metering and Storage Regulation