



19 December 1997

Direct Dial: 0171-932-1652

Our Ref : CMS/MOD/12

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

Dear Mr Gray

MODIFICATION PROPOSAL 205 - AUCTION SALE OF REMAINING ROUGH FIRM DELIVERABILITY AND SPACE

On 19 December 1997, Ofgas received a letter from NGC UK Ltd proposing an Urgent modification to the Network Code providing for BG Storage to auction all of the remaining Rough firm space and deliverability at a market clearing price.

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 (a V-factor day). 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. V-factor days occurred on 16 and 17 December. On both occasions a large amount of interruptible deliverability was held back in Rough, and the market paid considerably higher prices for gas from other sources as a result.

We propose a timetable for consultation as follows:

- Transco circulates the modification proposal by Friday 19 December 1997;
- deadline for representations on the proposal on 30 December 1997;
- Transco reports to Ofgas by Friday 2 January 1998; and
- Ofgas would give a decision as soon as practicable thereafter, with the intention that should the modification be passed the tender process would be completed by Friday 9 January 1998.

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 horizontal stroke.

Nick Fincham
Head of Connections, Metering and Storage Regulation