



27 February 1998

Richard Gray  
Transco  
1st Floor South  
31 Homer Road  
Solihull  
B91 3LT

Direct Dial : 0171-932-1669  
Our Ref. : Net/Cod/Mods/209  
Your Ref. :

Dear Richard,

**Urgent Modification Proposal 209: Use of Top Up to avoid excessive flexibility prices**

The 'Value of N paper, April 1997' attached at appendix 1 to the Ofgas consultation document 'Review of top-up gas', noted that "the damage to the credibility of the regime that changing the value of N at this late stage may cause must be considered. The question will undoubtedly be raised as to why the decision to change the value of N was not made before the start of the annual storage tender."

Similar concerns were recently raised by shippers in response to urgent modification proposals 205 and 205a. It was argued that changes in the middle of winter would seriously affect the value of past investments (including storage deliverability and other purchases to meet peak, such as swing in gas supply contracts). Subsequently, Ofgas indicated that we did not expect changes to be made to the energy balancing regime for the rest of this winter.

No substantially new arguments have been made either for or against revisions to the energy balancing and/or top-up regime in the middle of this winter. In light of the continuing mild weather and the limited time to use top-up this winter, this modification would in all probability have little effect this winter. Ofgas do not accept that urgent modification proposal 209 should be implemented.

Please circulate this letter to Shippers and other non-network code parties.

Yours faithfully

A handwritten signature in black ink, appearing to read "Tahir Majid".

Tahir Majid  
Manager, Energy Balancing

as/04/23/03.



**Urgent Modification Proposal 209**

**Use of Top-up to avoid excessive flexibility prices**

**Decision**

**22nd April 1998**

Ofgas rejected this modification as no substantial new arguments have been made either for or against revisions to the energy balancing and/or top-up regime in the middle of the winter. In light of the continuing mild weather and the limited time to use top-up this winter, this modification would in all probability have little effect this winter.

For further information regarding this modification please refer to our customer letter dated 16th February 1998.

Ofgas contact Tahir Majid - Tel: 0171 932 1669  
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