



06 March 1998

Direct Dial: 0171-932-1652

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

Dear Mr Gray

**Modification Proposals 218 "Auction of Rough Services 1998/9", 220 "Rough Services 1998/99 (Core)", 221 "Rough Services 1998/9 (Fixed Price)" and 222 "Rough Storage Tender 1998/9"**

On 2 March 1998, Ofgas received from Transco proposals by BG Storage for two modifications to the Network Code providing for changes to Rough services and pricing methodology in 1998/9. BG Storage proposed changes to its core service (modification proposal 220), and proposed rebalanced prices for space and deliverability (modification proposal 221). BG Storage requested that the proposals be considered on an urgent basis.

On 3 March 1998, Ofgas received from Transco a proposal by NGC UK Ltd that Rough services for 1998/9 be auctioned, with revenue protection for BG Storage (modification proposal 218). NGC UK Ltd requested that the proposal be considered on an urgent basis.

On 6 March 1998, Ofgas received from Transco a proposal by Enron that BG Storage auction Rough in two stages without a reserve price (modification proposal 222). Enron requested that the proposal be considered on an urgent basis.

Ofgas considers that all of the modification proposals should be treated as Urgent because a decision on the nature and pricing of Rough services is required before BG Storage can issue its annual tender for next year's services. We also believe that the industry will want to consider urgently which modification proposal best enables BG plc to fulfil the relevant objectives set out in its PGT licence, which require it to operate its pipeline system in an economic and efficient manner; to carry out its licence obligations efficiently; to secure effective competition between shippers and between suppliers; and to provide reasonable economic incentives for relevant suppliers to meet their domestic supply security standards.

In the attached letter to BG Storage, Ofgas has set out its current thinking on auctioning Rough storage services, making unused deliverability capacity available on a daily basis, the possibility of under/over recovery against BG Storage's price control, and the interaction of an auction of Rough services with the NTS capacity booking regime.

We have agreed a timetable for consultation as follows:

- Transco circulates the modification proposals on Friday 6 March 1998;
- deadline for representations on the proposals on Thursday 12 1998;
- Transco reports to Ofgas by Monday 16 March 1998; and
- Ofgas decision not later than Wednesday 18 March 1998.

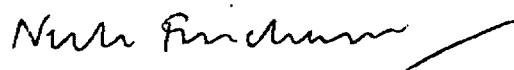
The timetable for the annual tender is now as follows:

Friday 20 March	BG Storage circulates Invitation to Tender (Code modification needed to allow Tender to start later than 1 March)
Friday 17 April	Annual Tender closes after 4 weeks (Code modification needed to allow tender to run for less than 30 days)
Thursday 23 April	BG Storage confirms allocation of capacity (Code modification needed)
Tuesday 28 April	Deadline for requesting May injection capacity (Code modification needed)
Thursday 30 April	BG Storage confirms May injection programmes (Code modification needed to extend deadline for injection programme submissions)

As discussed with the industry at the open meeting on 20 February 1998, Ofgas will, on receipt of a written request from Transco, direct that Network Code modification will be made to take account of the timetable.

I am copying this letter to Martin Kinoulty of BG Storage.

Yours sincerely



**Nick Fincham**  
**Director, Supply Regulation**

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