

Extension to Interim Allocation Arrangements at Moffat - Modification Report
URGENT Modification Reference Number 223

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.12.4.

1. Circumstances Making this Modification Proposal Urgent:

In accordance with Rule 9.2(a) Ofgas has agreed that this Modification Proposal should be treated as Urgent because

2. Procedures Followed:

Transco agreed with Ofgas (and has followed) the following procedures for this Proposal;

| | |
|------------|------------------------------|
| 19th March | Representations close out |
| 23rd March | Modification report to Ofgas |
| 25th March | Ofgas decision expected |

3. The Modification Proposal:

JUSTIFICATION:

Modification 184 built on the interim mechanism for the allocation of gas to both firm and interruptible capacity holders at the Moffat CSEP which was originally brought about by modifications 134 and amended by modification 175. These interim arrangements will be replaced by the long term arrangements being developed within review group 117r.

It was envisaged that these long term arrangements would be in place for the 1st April 1998, and in view of this the provisions of modification 184 expire on the 31st March 1998. Unfortunately the long term arrangements will not be in place on the 1st April 1998 and there is an urgent need to make provisions for the allocation of gas at the Moffat CSEP from the 1st April until such time as the long term arrangements are in place.

It is intended to extend the interim measures until 31st July 1998 in order to provide a target date for 117r which will enable the long term arrangements and all necessary administrative tasks to be completed in time for 1st October 1998.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

The interim mechanism will no longer be effective after the 31st March 1998 and Transco will be obliged to apply an allocation mechanism which is either not supported by the Network Code, or a mechanism other than the interim measure agreed as appropriate in this situation under modifications 134, 175 and 184.

AREA OF NETWORK CODE CONCERNED:

Transition Document Part II Section J 5.10

NATURE OF PROPOSAL:

The date at which the provisions of Section J 5.10 will automatically cease to apply, which is currently 31st March 1998, will be extended for four months until 31st July 1998.

PURPOSE OF PROPOSAL:

The purpose of this proposal is to allow gas to continue to be allocated to both firm and interruptible capacity holders at the Moffat CSEP, under the rules agreed through Modifications 134, 175 and 184 until such time as longer term arrangements are implemented.

4. Transco's opinion:

Transco support the implementation of this modification.

5. Extent to which the proposed modification would better facilitate the relevant objectives:

This modification will continue the current situation of allocations at Moffat.

6. The implications for Transco of implementing the Modification Proposal, including:

a) implications for the operation of the System and any BG Storage Facility:

There are no implications

b) development and capital cost and operating cost implications:

There are no implications

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

not applicable

d) analysis of the consequences (if any) this proposal would have on price regulation:

There are no consequences

7. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal:

There are no consequences

8. **The development implications and other implications for computer systems of Transco and related computer systems of Relevant Shippers:**

There are no implications

9. **The implications of implementing the Modification Proposal for Relevant Shippers:**

It continues with existing arrangements

10. **The implications of implementing the Modification Proposal for terminal operators, suppliers, producers and, any Non-Network Code Party:**

There are no implications

11. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each Relevant Shipper and Non-Network Code Party of implementing the Modification Proposal:**

There are no consequences

12. **Analysis of any advantages or disadvantages of the implementation of the Modification Proposal:**

Implementing this modification will ensure that there is a process in place under Network Code for the allocation of gas at Moffat.

13. **Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report):**

Two representations were received, from **Shell Gas Direct** and **British Gas Trading**.

Both supported the modification, however, **Shell Gas Direct** would like to see scheduling charges addressed by this modification.

Transco Response:

Given that these are transitional arrangements, which will be replaced by a long term regime which is currently under negotiation, Transco considers that a simple extension of the cut off date is appropriate at this stage.

14. **The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation:**

Not applicable

15. **The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence:**

Not applicable

16. **Programme of works required as a consequence of implementing the Modification Proposal:**

No programme of works is required

17. **Proposed implementation timetable (inc timetable for any necessary information systems changes):**

The modification would be implemented on the 1st April 1998.

18. **Recommendation concerning implementation of the Modification Proposal:**

Transco recommends that this modification be implemented.

19. **Restrictive Trade Practices Act:**

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

20. **Transco's Proposal:**

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Director General in accordance with this report.

21. **Text provided pursuant to Rule 9:**

In Transition Document part II, paragraph 8, section J5.10:

Amend paragraph (1) to read, or until 31st July 1998 whichever is earlier...

Signed for and on behalf of Transco.

Signature:

John Lockett
Manager, Network Code

Date:

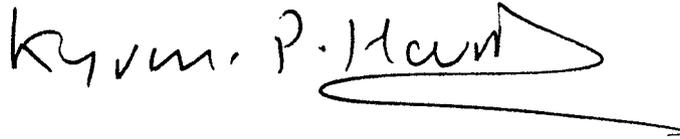
23. 3. 98

Director General of Gas Supply Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference 223, version 1.0 dated 20/3/98) be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:

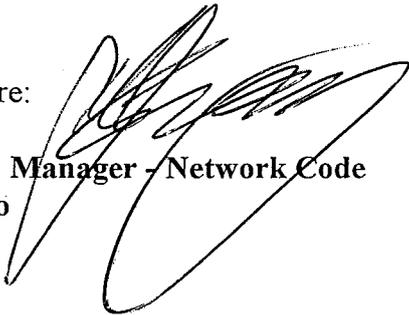


Kyran Hanks
Director of Transportation Regulation

Date: 30/3/98

The Network Code is hereby modified, with effect from 1/4/98, in accordance with the proposal as set out in this Modification Report, version 1.0.

Signature:



Process Manager - Network Code
Transco

Date:

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause:

- 1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:
- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

- 1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.