

98/11/02/02



Anne-Marie Pearman
Network Code Development
1st Floor South
31, Homer Road
Solihull
B91 3LT

Direct Dial: 0171-932-1674

30 October 1998

Dear Anne-Marie,

Final Modification Report - Mod 268 "Amendment to default allocation rules of UK-Continent and GB-Ireland CSEP Ancillary Agreements".

Thank you for the above. Ofgas accepts this modification and we enclose the signed acceptance.

We are pleased to receive in the report Transco's assurance that the proposed text reflects the views expressed by Ofgas in the letter from Dr Marshall to Nigel Shaw (August 17 1998). The text is detailed and has a significant impact on a number of agreements, in particular the respective CSEP Ancillary Agreements for UK-Continent Interconnector and GB-Ireland Interconnector. The new procedures being put in place, however, have not been tested and can only be evaluated in the light of operational experience. Consequently, we expect Transco to monitor the effect of this proposal should the default allocation arrangements ever be called upon. If the text contained in this proposal is found to no longer reflect Ofgas' view, we would expect Transco to prepare and consult on a further modification.

I would also like to take this opportunity to respond to an e-mail sent recently by Steve Adams of Transco. The message discussed a number of options for making various interconnector agreements readily available. Ofgas believes that the CSEP Ancillary Agreements for the respective interconnector agreements are in effect "mini network codes" for the interconnectors. As such, we would expect them to be made available under the same terms as a network code package of documents, and at no extra cost.

Transco is exploring with the relevant parties whether the other interconnector documents can also be made publicly available. Ofgas believes that these documents should be made available to network code parties as a matter of course and at no extra cost. Ofgas would also expect Transco and the interconnector operators to make these documents similarly available to non-network code parties. We understand Transco is considering raising a charge for this service to non-network code parties. We look forward to discussing with Transco the appropriateness and level of such a charge.

Yours sincerely

A handwritten signature in black ink, appearing to read "Shaun Day".

Shaun Day
Economic Advisor, Transportation Pricing