

**Modification Report**  
**URGENT Modification Reference Number 0379**  
**Capacity Transfers Between ASEPs**

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.9.3.

**1. Circumstances Making this Modification Proposal Urgent:**

In accordance with Rule 9.1.2 Ofgem has agreed that this Modification Proposal should be treated as Urgent.

Following the implementation of Modification Proposal 0378, the provisions in the Network Code require Transco to commence the auction of Monthly System Entry Capacity for use in April to September 2000 by 6 March 2000. This proposal, if implemented, would afford registered holders of Monthly System Entry Capacity with the ability to use that capacity, on an interruptible basis, at locations other than that for which the firm capacity right has been purchased. It is considered appropriate that Users should know what rights the holding of Monthly System Entry Capacity (MSEC) confers prior to bidding in the next round of auctions. In order to meet this requirement, a decision on this proposal should be made before the end of February and urgent procedures have been agreed.

**2. Procedures Followed:**

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

Issued to Ofgem for decision on urgency 28 January 2000  
Proposal agreed as Urgent 31 January 2000  
Proposal issued for consultation 31 January 2000  
Close out for Representations 18 February 2000  
Final Report to Ofgem 23 February 2000  
Ofgem decision expected 28 February 2000

**3. The Modification Proposal:**

In this proposal, which has been the subject of discussion within Development Workgroup 0371, it is proposed that each shipper should have the ability to transfer all or part of its MSEC quantity from the location for which it was purchased (the primary ASEP) to an alternative ASEP (the secondary ASEP). Capacity would be transferrable from 17.00 hrs. on D-1 until 23.00 hrs on the day. Capacity transferred would be limited to the amount of MSEC a shipper holds at the primary ASEP and its use would be subject to the 1/24th rule, such that a constant rate of gas delivery would be assumed when calculating gas flow rate. Transco would only reject an application for transfer where a shipper holds insufficient MSEC at the primary ASEP or where interruption or buy back has taken place, or is about to take place, at the secondary

ASEP. Once transferred the capacity would provide the holder with an interruptible capacity right at the secondary ASEP for the period of its applicability and would confer the same rights as the holding of Interruptible System Entry Capacity (ISEC)

Should a shipper wish to transfer back some or all previously transferred capacity from the secondary ASEP to the primary ASEP, then the shipper would automatically recover the firm capacity right pertaining to the quantities transferred back. It is proposed that it would only be possible to transfer capacity rights from a secondary ASEP to the primary ASEP.

All capacity transferred to a secondary ASEP would be considered with all other ISEC for the purpose of determining an Interruptible Curtailment Factor. Interruptible Curtailment Factors would continue to be calculated and notified in accordance with section B2.8 of the Network Code.

#### **4. Transco's opinion:**

Transco is of the opinion that capacity transfers between terminals would help to reduce potential inefficiencies in monthly capacity booking where Users must predict their System Entry Capacity requirements some time before actual use of the capacity.

Transco also believes that this proposal would provide Users with a measure of security should supply difficulties be encountered. Shippers would have the opportunity to utilise, at short notice, ISEC at a secondary location should difficulties be encountered in the supply of gas to the primary ASEP.

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

The proposed modification would provide the ability for shippers to both obtain ISEC at those terminals where they have a specific short term need for it and to refine the distribution of their capacity holdings in the light of changing gas delivery patterns. This greater flexibility would improve the efficient allocation of available entry capacity and further the economic and efficient operation of the system.

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

##### **a) implications for the operation of the System:**

The transfer of capacity between ASEPs within day may increase the likelihood of terminal constraints and therefore the possibility of “interruption” of ISEC.

##### **b) development and capital cost and operating cost implications:**

Transco is incurring significant IT development costs associated with the new services to be delivered within RGTA. The developments which would be required for implementation of this Modification Proposal have been included as part of the changes to the NGTA capacity system required for the next stage of RGTA.

The increase in administration effort to support the service is not expected to cause a significant increase in operating costs.

- 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:**

No such consequences are envisaged.

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:**

No such consequence is envisaged.

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

Existing systems are being developed to incorporate the functionality to track capacity transfers between ASEPs and provide shippers their net capacity entitlements in firm and interruptible on a real-time basis. Such information would also be needed to automatically calculate any overrun charges and scaling-back requirements for Interruptible System Entry Capacity. Further systems development would be required to ensure that “interruption” of ISEC applicable to both whole and part day can be carried out equitably. Transco has not been made aware of any implications for the computer systems of Users.

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

The ability for shippers to transfer capacity between ASEPs would provide flexibility to shippers in optimising their capacity entitlements. There may be an increased likelihood of “scale-back” of ISEC where a number of shippers require ISEC at a single ASEP. This may reduce certainty in their end of day capacity positions and therefore increase the risk of overrun charges being incurred.

**10. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Storage Operators suppliers, producers and, any Non-Network Code Party:**

If implemented, the service should assist shippers in their ability to obtain capacity at those ASEPs where a requirement was not previously anticipated. This could improve the notice period of gas input nominations given to terminal operators by shippers. However, the increased flexibility for shippers may increase the frequency of shippers switching gas flow nominations between ASEPs and hence the number of changes to the input flow profile notices of terminal operators.

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

No significant consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party are anticipated as a result of the implementation of this proposal.

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

**Advantages :**

- Provides additional flexibility for Users to source gas from an alternative ASEP in the event of supply difficulties. If this Modification Proposal is not implemented then that User may be required to bid for quantities of firm capacity on the proposed within day capacity mechanism or risk overrun charges. Should the within day mechanism not be approved then Users will need to consider the appropriateness of purchasing sufficient cover to avoid overrun charges, probably by means of day ahead interruptible capacity, to satisfy the risks associated with short term fluctuations in sourcing gas supplies.

**Disadvantages :**

- May be perceived as rebundling of capacity services.

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

Transco received twenty one representations on the Modification Proposal.

Of these, the following fifteen respondents generally expressed support for the proposal, although in some cases additional concerns and suggestions were made:

Agip (UK) Limited (AGIP)  
Association of Electricity Producers(AEP)

BP Amoco (BP)  
British Gas Trading (BGT)  
Claims Validation Services Limited(CVSL)  
Conoco(Co)  
Enron (En)  
National Power (NP)  
Powergen(PG)  
Quantum Gas Management(QGM)  
Scottish Power (SP)  
Total Gas Marketing Limited(TGM)  
TXU Europe Energy Trading(TXU)  
UK Offshore Operators Association (UKOOA)  
Yorkshire Energy (YE)

The following six respondents either do not support the proposal or only expressed limited support :

Alliance Gas Limited(AGL)  
Amerada Hess Gas Limited(AH)  
Aquila Energy (Aq)  
Elf Gas and Power(Elf)  
Scottish and Southern Energy (SSE)  
Shell Gas Direct (SGD)

A number of specific issues were raised by respondents which, for clarity, have been summarised below under the following headings;

- i. Interaction with ISEC
- ii. Efficiency
- iii. Daily transfers
- iv. Risk mitigation
- v. Secondary transfers to secondary ASEPs
- vi. Interaction with Modification 0363
- vii. Firm transfer rights
- viii. Transco discretion
- ix. Clarification of costs
- x. Implementation date
- xi. Additional information

#### Interaction with ISEC

BGT, TXU and TGM stress the importance of this proposal in the event that the amount of Interruptible Capacity released at the day ahead stage is reduced. However, TXU argues that it should not be viewed as a complete replacement for ISEC which is currently made available and TGM questions the value of the service as proposed. BGT also expresses a preference for both retaining the existing interruptible service, which it argues has worked well since October 1999, and allowing capacity transfers between ASEPs.

Although SGD does not give support for the proposal on “a stand alone” basis, it acknowledges that, should Modification Proposal 0365 be implemented, then this proposal would be supported as it would resolve some of the problems arising out of the associated reduction in the level of ISEC made available.

ELF agrees that the proposal does provide a degree of additional flexibility. However, it also argues that it only redistributes existing capacity. Additional capacity is not released, availability is artificially restricted and the product is not tradable. ELF concludes that the existing interruptible service should be retained and views this proposal as a poor substitute.

AH expresses concern that the proposal will disguise the true costs of capacity at a location and that the signals as to the relative merit of purchasing firm or interruptible capacity will be unclear.

SSE suggests that this proposal is inconsistent with proposals to reduce the amount of interruptible capacity available at the day ahead stage, arguing that it will in effect create another type of interruptible product.

### Efficiency

PG and AEP both consider that the proposal will provide a useful mechanism for Users to efficiently manage their capacity holdings. En considers that the additional flexibility provided by this proposal will reduce the potential for artificial barriers to entry which could strand gas offshore and cause unnecessary price spikes in the market. However three respondents, AGL, AH and SGD, suggest that the additional complexity will not be offset by any commercial benefits.

### Daily transfers

Co, UKOOA and YE suggest that both registered MSEC and Daily System Entry Capacity (DSEC) should be transferable.

### Risk mitigation

TXU considers that the proposed service will provide an insurance against within day supply patterns. NP agrees that the proposed service will enable Users to access capacity at the times and places where it is required. AGL, however, believes that the proposal may add additional risk for Users.

### Secondary transfers to secondary ASEPs

TXU is of the opinion that a User should be able to transfer any interrupted capacity directly to another ASEP without the need to return the capacity first to the Primary ASEP. It also believes that transfers of secondary ISEC directly between ASEPs should be allowed should circumstances change.

### Interaction with Modification 0363

SP urges that this proposal should not lead to any degradation of the rights currently available under Modification 0363. If this is not the case or the proposal is not implemented, SP suggests that the measures outlined in Modification 0363 should be extended until the situation is reviewed further.

#### Firm transfer rights

UKOOA and SSE believe that the entry capacity regime should ultimately provide the facility to transfer MSEC or firm DSEC between ASEPs, such that firm capacity rights can be obtained at the secondary ASEP. UKOOA acknowledges that should the transfer of firm rights be permitted, the issue of “upgrading” entry capacity to a more expensive ASEP - the costs of doing this and the rights associated with this capacity versus capacity acquired through the auction process would need to be evaluated and discussed. However, it stresses that the industry should be looking to introduce this facility.

#### Transco discretion

SGD considers that there is insufficient transparency regarding the assessments made by Transco on the amount of interruptible capacity made available at different terminals. AGL also questions the degree to which the service will be utilised due to the discretion held by Transco in regard to accepting Users’ requests.

SSE seeks clarification on the circumstances under which Transco could reject an application to transfer capacity and how Transco plans to monitor the service when supply and demand on the system is constantly changing. It would also appreciate clarification of the time required for processing flexible transactions.

#### Impact on capacity costs

Two respondents, AGL and SGD do not support the proposal as they consider that it will not make the current regime more efficient or economic and, in unnecessarily bundling together different capacity services, may inflate bids in the capacity auctions. SGD also raises concerns that the proposal may lead to discrimination between Users, as depending on the relative sizes and types of portfolios, some Users may benefit considerably more than others although this will not be based on any underlying economic rationale.

#### Implementation date

Two respondents, AGIP and QGM argue that implementation of the proposal should be delayed until 1 October 2000, following a review of its interaction with Modification 0365.

#### Additional information

SSE notes that the legal text does not provide revised procedures for interruption.

SSE requests clarification of whether secondary capacity takes precedence over other types of entry capacity.

SGD requests further clarification of the term “hour bar” and advises that allowing Transco up to 60 minutes to accept or reject bids may cause Shippers considerable difficulty where bids are placed close to the “hour bar”.

### **Transco Response:**

#### Interaction with ISEC

Transco agrees with TXU that this proposal should not be seen as a complete replacement for ISEC. If implemented, the proposal would add a degree of flexibility to a portfolio of MSEC that is beyond that available to an ISEC portfolio. To that end Transco believes that the product is different and is consequently of the opinion that the proposal is not inconsistent with proposals to reduce quantities of ISEC. The ability to transfer capacity rights at short notice on a gas day would enable Users to optimise their portfolios in the light of changing daily circumstances. That ability may increase the attraction of MSEC to some Users. Some Users may also wish to obtain interruptible capacity in auctions before the gas day to increase their capacity holding. To this end ELF are correct in their observation that the proposal is not expected to increase the aggregate quantities of entry capacity held by Users.

#### Efficiency

Transco considers an environment that enables Users to transfer unused capacity at short notice on a gas day to be more efficient than one that drives Users to purchase additional capacity despite holding unused capacity elsewhere.

#### Daily transfers

With the potential advent of a within day capacity mechanism, Transco has found it difficult to develop a system to track purchases and transfers of daily capacity. It is possible that such systems may become deliverable when the details of the proposed within day mechanism are agreed and the level of within day activity better understood.

#### Risk mitigation

Transco agrees with the view that capacity transfers between ASEPs should reduce exposure to additional costs driven by unforeseen changes to within day supply patterns.

#### Secondary transfers to secondary ASEPs

The issue of transfers from a secondary ASEP to another secondary ASEP was discussed by the Development Workgroup. Transco agrees with the Workgroup that complex systems development could be avoided if transfers from secondary ASEPs are restricted to returning



to the primary ASEP. In order to mitigate against any potential adverse effects of that restriction, Transco also agreed to develop the IT systems in a manner that would facilitate and provide confirmation of transfers within 15 minutes.

### Interaction with Modification 0363

Modification Proposal 0363 was approved on the basis that it would be a transitional requirement that would cease to have effect from 31 March 2000. Transco has put forward Modification Proposals 0371 and 0380, both of which potentially enable MSEC to be bought at smaller ASEPs such as Hornsea. Transco considers that implementation of those Modification Proposals would remove the need for the provisions introduced by Modification Proposal 0363 to be extended.

### Firm transfer rights

Transco agrees with UKOOA that capacity valuations should be considered before transferable rights can be implemented on a firm basis. This issue raises complex questions of the appropriate mode of exchange with the possibility of compensatory payments or adjustments to volumes being required to complete an exchange.

Transco recognises that such issues would require extensive debate with Users prior to implementation of any such system. Transco therefore proposes to operate a less ambitious transfer service at this juncture, should the Modification proposal be implemented.

### Transco discretion

The proposal developed by Transco, after discussion with the Development Workgroup, would enable Users to transfer capacity rights to a secondary ASEP until a constraint occurs at that ASEP. From the time that a constraint is identified, no further capacity can be transferred to that ASEP on that day. The proposed system will facilitate a quick transfer service, whereby IT systems will be required to automatically check validity and log transfers but no manual approval process is required.

### Impact on capacity costs

Transco accepts that an ability to transfer capacity between ASEPs may increase the attractiveness of Users becoming Registered MSEC holders. However, the representations received suggest that an assumption of added value to this service is not universally held. If the proposal is implemented, the ability to transfer capacity would be available to all registered holders of MSEC, regardless of where that capacity is held.

### Implementation date

Transco understands the concern of some Users that the proposal should not be implemented until other changes to the entry capacity regime have been implemented. Transco does not believe that implementation of this proposal conflicts with any of the associated Modification Proposals which are under consideration at this time, and as such could be implemented as soon as systems development is complete.

### Additional information

The proposal is intended to provide a secondary capacity right that has the same rights as Interruptible System Entry Capacity. When constraint management is required, all secondary and interruptible capacity will be scaled in proportion to each Users' quantities at the constrained ASEP.

The hour bar concept has also been included in the proposals for a within day capacity mechanism. It is contained within this proposal to ensure consistency across the proposed changes to entry capacity provision. The hour bar principle would ensure a reasonable lead time before acceptance of a transfer and the time at which a User intends to flow gas. Transco would, however, anticipate notifying a User within fifteen minutes if a transfer has been accepted or rejected.

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

Implementation is not required to facilitate compliance with safety or other legislation.

**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:**

No such change to the methodology is anticipated in respect of the modification proposal.

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

Development work in respect of this Modification Proposal is ongoing within the present RGTA changes. Further development would be required to facilitate the scale back of ISEC where quantities have been transferred for part of the gas day and it is anticipated that this could take 3-4 months given the wide ranging system changes being developed for potential implementation for April and June 2000.

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

Subject to the completion of development work to facilitate scale back of ISEC, this proposal could be implemented with effect from 1st July 2000 and shippers would be able to notify Transco of capacity transfer requests from 17.00 hrs. on 31 June 2000.

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

Transco recommends that this Modification Proposal is 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:**

### SECTION B: SYSTEM USE AND CAPACITY

*Amend paragraph 1.4(b) to read as follows:*

“....after taking account of paragraph 2.11 and any System Capacity Transfer, in accordance with paragraph 5.”.

*Renumber existing paragraph 2.11 as paragraph 2.12 and insert text at paragraph 2.11 to read as follows:*

#### **“2.11 Secondary Interruptible System Entry Capacity**

2.11.1 Without prejudice to paragraph 2.6, where a User holds Monthly System Entry Capacity in relation to an Aggregate System Entry Point (the “**primary ASEP**”) the User may apply for Secondary Interruptible System Entry Capacity in respect of another Aggregate System Entry Point (the “**secondary ASEP**”) in accordance with this paragraph 2.11 (“**secondary Interruptible System Entry Capacity**”).

2.11.2 An application (“**secondary ISEC application**”) for secondary Interruptible System Entry Capacity pursuant to this paragraph 2.11:

(a) shall specify:

- (i) the identity of the User;
- (ii) the primary ASEP and the secondary ASEP;
- (iii) the Day for which secondary Interruptible System Entry Capacity is applied for;
- (iv) the amount (not being less than the minimum eligible amount) of secondary Interruptible System Entry Capacity applied for; and
- (v) the application effective time (being a time falling on the hour bar);

- (b) may be submitted at any time from 17:00 hours on the Preceding Day until 23:00 hours on the Day for which the secondary Interruptible System Entry Capacity is applied for.

2.11.3 The “**application effective time**” is:

- (a) subject to paragraph (b), the time on the hour between 06:00 hours and 24:00 hours on the Day in respect of which the application is made;
- (b) a time not less than 60 minutes after submission of the secondary ISEC application.

2.11.4 Transco will reject a secondary ISEC application within 15 minutes of it being submitted by the User:

- (a) where any requirement of paragraph 2.11.2 is not complied with;
- (b) where the application effective time is:
  - (i) 06:00 hours, where the amount of secondary Interruptible System Entry Capacity applied for is greater than the Registered Monthly System Entry Capacity held by the User at the primary ASEP on such Day;
  - (ii) later than 06:00 hours, where the amount of secondary Interruptible System Entry Capacity applied for is greater than an amount of System Entry Capacity equal to the 1/24 of the Registered Monthly System Entry Capacity held by the User at the primary ASEP multiplied by the number of hours from the application effective remaining on the Gas Flow Day;
- (c) where the application effective time is later than 24:00 hours on the Gas Flow Day; or
- (d) where in respect of the secondary ASEP Transco has given an interruptible curtailment notice in respect of the Day specified the secondary ISEC application

and where Transco rejects a secondary ISEC application it shall at the same time notify the User submitting such secondary ISEC application.

2.11.5 A secondary ISEC application may not, once submitted, be amended or withdrawn.

2.11.6 Without prejudice to paragraph 2.11.7, where a User’s application under this paragraph is accepted, the User:

- (a) will be registered as holding (in addition to any already held) secondary Interruptible System Entry Capacity at the secondary ASEP for the Gas Flow Day (or remaining part thereof) in; and
- (b) the User’s Available System Entry Capacity at the primary ASEP will be adjusted by deducting an amount of System Entry Capacity equal to

the amount applied for in the secondary ISEC application

2.11.7 Where a User is registered as holding secondary Interruptible System Entry Capacity pursuant to a secondary ISEC application the User may subsequently notify Transco that it wishes that all or part of the secondary Interruptible System Entry Capacity held at a secondary ASEP be surrendered in respect of the relevant Gas Flow Day (or the remaining part thereof).

2.11.8 A notification (“**secondary ISEC notification**”) pursuant to paragraph 2.11.7:

- (a) must specify:
  - (i) the identity of the User;
  - (ii) the secondary ASEP and the primary ASEP;
  - (iii) the Day in respect of which the secondary Interruptible System Entry Capacity is to be surrendered;
  - (iv) the amount (not less than the minimum eligible amount) of secondary Interruptible System Entry Capacity to be surrendered;
  - (v) the surrender effective time (being a time falling on the hour bar);
- (b) may be submitted at any time from 17:00 hours on the Preceding Day until 23:00 hours on the Day for which the secondary Interruptible System Entry Capacity is to be surrendered.

2.11.9 The “**surrender effective time**” is:

- (a) subject to paragraph (b), the time on the hour between 06:00 hours and 24:00 hours on the Day in respect of which the secondary ISEC notification is made;
- (b) a time not earlier than 60 minutes after submission of the secondary ISEC notification.

2.11.10 Transco will reject a secondary ISEC notification within 15 minutes of it being submitted by the User:

- (a) where any of the requirements of paragraph 2.11.9 are not complied with;
- (b) where the amount of secondary Interruptible System Entry Capacity specified in the notification (having taken into account all previous secondary ISEC applications and subsequent secondary ISEC notifications in respect of the relevant primary ASEP and secondary ASEP) exceeds the amount of secondary Interruptible System Entry Capacity held by the User at the secondary ASEP under this paragraph 2.11

and where Transco rejects a secondary ISEC notification it shall at the same time notify the User submitting such secondary ISEC notification.

2.11.11 Where a User submits a secondary ISEC notification under paragraph 2.11.8, and paragraph 2.11.10 does not apply;

(a) the User's Available System Entry Capacity at the secondary ASEP will be adjusted by deducting an amount of System Entry Capacity; and

(a) the User's Available System Entry Capacity at the primary ASEP will be adjusted by adding an amount of System Entry Capacity

in each case in an amount equal to the amount of secondary Interruptible System Entry Capacity specified in the User's secondary ISEC notification under paragraph 2.11.8.”.

Signed for and on behalf of Transco.

Signature:

**Tim Davis**  
**Manager, Network Code**

Date:

**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 **0379**, version **1.0** dated **28/02/2000**) be made as a modification to the Network Code.

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

Signature:

The Network Code is hereby modified, with effect from \_\_\_\_\_, 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.