

OFGEM DECISION LETTER No. 0540
"Delay of Licence and Effects on Capacity Incentives"
Version 1.0

Direct Dial: 020-7901-7327

7 March 2002

UK Transco, Shippers and Other Interested Parties

Your Ref:
Our Ref : Net/Cod/Mod/0540

Dear Colleague,

Modification Proposal 0540 'Delay of Licence and Effects on Capacity Incentives'

Ofgem has considered the request from Transco for Modification Proposal 0540, 'Delay of Licence and Effects on Capacity Incentives' to follow urgent procedures. We agree that this modification merits urgent status.

This modification proposal provides for the inclusion in the Network Code of a capacity buy back incentive arrangement that is consistent with that proposed by Ofgem in its NTS System Operator (SO) Incentives Final Proposals. Transco has stated in raising the proposal, that it anticipates revised SO incentives being implemented via Gas Transporter (GT) Licence amendments with effect from 1 April 2002. However, these licence amendments will not be in place before 1 April. Transco has therefore sought urgent status for this proposal to ensure that new arrangements can be put into effect from 1 April 2002 through transitional arrangements in the Network Code.

An urgent decision on this process will provide Transco and shippers with certainty on the transitional arrangements for Transco's capacity buy-back incentive arrangements that will take effect from 1 April 2002 before any amendment of the GT licence can be made. On this basis, this modification proposal merits urgent status.

The timetable for the modification proposal to follow urgent status is set out below.

<i>Issued to Ofgem for decision on urgency</i>	<i>5 March 2002</i>
<i>Proposal agreed as urgent</i>	<i>7 March 2002</i>
<i>Proposal issued for consultation</i>	<i>7 March 2002</i>
<i>Close out for representations</i>	<i>20 March 2002</i>
<i>Final report to Ofgem</i>	<i>22 March 2002</i>
<i>Ofgem decision expected</i>	<i>28 March 2002</i>

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number or Lynnette Camilleri on 020 7901 7431.

Yours sincerely,

Nick Fincham
Director, Gas Trading Arrangements