

Direct Dial: 020-7901-7021

7 August 2002

Transco, Shippers and Other Interested Parties

Our Ref : Net/Cod/Mod/0573

Dear Colleague,

Modification Proposal 0573 '*Further revision to the entry capacity overrun regime*'

Ofgem has considered the request from Aep Energy Services Ltd for Modification Proposal 0573, '*Further revision to the entry capacity overrun regime*' to follow urgent procedures. We do not agree that this modification merits urgent status.

This modification proposal provides for an amendment to Transco's Network Code to amend the entry capacity overrun charge. The proposal would replace the 8 times multiple of the 'Applicable daily rate for monthly system entry capacity (MSEC)' component of the overrun calculation with a multiplier of 1.1. The other elements of the overrun calculation would remain unchanged.

The forthcoming MSEC auctions for capacity relating to the period October 2002 to March 2003 are due to commence on 16 August 2002. The entry capacity overrun regime may affect shippers' valuations and bidding strategies in relation to the MSEC auctions. For this reason, we consider that this proposal has not been raised in sufficient time for shippers to take it into account in formulating their bidding strategies should the proposal be implemented. In this respect, Ofgem notes the views previously expressed by shippers that granting urgency to modification proposals shortly before the commencement of MSEC auctions may create unnecessary uncertainty. In rejecting the request for urgency status, we have made no assessment of the merits of this proposal, which should be considered through the normal Network Code modification procedures.

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 Mark Feather on 020 7901 7437.

Yours sincerely,

Kyran Hanks
Director, Gas Trading Arrangements