

Modification Report
Publication of additional forward and option surrender of entry capacity tender information
Modification Reference Number 0620
Version 2.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

The Proposal stated:

"This Proposal will supplement the provisions of Modification 0587 from 11 February 2003, the additional tender information required prior to that date having been released under Modification Proposal 0588.

For completeness the full tender information requirement is included below, although much is the same as that already published under Modification 0587:

For each forward tender held where Transco receives tender offers and enters into Forward Agreement(s) in respect of an ASEP/forward delivery period combination then, Transco should publish the following information for each day of the forward delivery period for the relevant ASEP/forward delivery period combination:

- the volume weighted average price of valid forward tender offers received;
- the aggregate quantity of Firm System Entry Capacity for which valid forward tender offers are received;
- the minimum price offered in valid forward tender offers received;
- the maximum price offered in valid forward tender offers received;
- the volume weighted average price of forward tender offers accepted;
- the aggregate quantity of Firm System Entry Capacity surrendered pursuant to forward tender offers accepted;
- the minimum price paid in respect of forward tender offers accepted; and
- the maximum price paid in respect of forward tender offers accepted.

This information should be published on the Business Day following that on which Transco enters into such Forward Agreement(s).

For each forward tender held where Transco receives tender offers but does not enter into any Forward Agreement(s) in respect of an ASEP/forward delivery period combination, then Transco should publish for the relevant ASEP / forward delivery period combination:

- the volume weighted average price of valid forward tender offers received;
- the aggregate quantity of Firm System Entry Capacity for which valid forward tender

offers are received;

- the minimum price offered in valid forward tender offers received; and
- the maximum price offered in valid forward tender offers received.

This information should be published within four Business Days following the last day of the tender or, for the period from 11 February to the implementation of this Modification Proposal, on the Business Day following implementation.

For each option tender held where Transco receives tender offers and enters into Option Agreement(s) in respect of an ASEP/option exercise period combination then Transco should publish the following information in respect of the relevant ASEP/option exercise period combination:

- the volume weighted average of valid option strike prices received;
- the aggregate quantity of Firm System Entry Capacity for which valid option tender offers are received;
- the minimum of valid offered option strike prices;
- the maximum valid of offered option strike prices;
- the volume weighted average of accepted option strike prices;
- the aggregate quantity of Firm System Entry Capacity available for surrender pursuant to option tender offers accepted;
- the minimum of accepted option strike prices; and
- the maximum of accepted option strike prices.

This information should be published on the Business Day following that on which Transco enters into such Option Agreement(s).

For each option tender held where Transco receives tender offers but does not enter into any Option Agreements in respect of any ASEP/option exercise period combination, then Transco should publish for the relevant ASEP/option exercise period combination:

- the volume weighted average of valid option strike prices received;
- the aggregate quantity of Firm System Entry Capacity for which valid option tender offers are received;
- the minimum of valid offered option strike prices; and
- the maximum of valid offered option strike prices.

This information should be published within four Business Days following the last day of the tender or, for the period from 11 February to the implementation of this Modification Proposal, on the Business Day following implementation.

Where Transco exercises one or more Option Agreements in respect of a Gas Day Transco should also notify Users of the volume of Firm System Entry Capacity exercised at each relevant ASEP on that Gas Day and the volume weighted average strike price of the capacity exercised at each relevant ASEP on that Gas Day. This information should be published on the next Business Day following the Gas Day associated with the exercise of such Option

Agreements."

2. Transco's Opinion

Transco does not support implementation of this Proposal.

Transco recognises that implementation of this Proposal would augment the information provision in respect of forwards and option tender processes for capacity management products introduced following recent Network Code amendments including the implementation of Modification 0587 - 'Prospective Publication of Further Forward and Option Entry Capacity Information'. Implementation of this Proposal would align the treatment of information derived from tenders conducted after 11th February 2003 with that provided in respect of earlier tender processes as required following the implementation of Modification Proposal 0588 - 'Publication of Further Forward and Option Entry Capacity Information'. Specifically implementation of this Proposal would facilitate the additional release of information pertaining to the tender offers where Transco has not entered into any agreements in that tender process for any forward and option ASEP/delivery period combinations.

At the request of the NT&T Workstream Transco agreed to raise a Modification Proposal to facilitate the release of the additional forward and option capacity tender information in respect of tender processes conducted after 11 February 2003. Similar information release in respect of tender processes conducted prior to that point in time has already been completed following the implementation of Modification Proposal 0588. Implementation of this Proposal will therefore ensure increased information release for all forward and option capacity buy back tenders.

For the reasons offered in the draft and final Modification Reports associated with Modification Proposal 0587 Transco does not support this Proposal. Transco maintains that this Proposal seeks to impose unnecessary and inappropriate obligations on Transco that do not apply to any other participant in the secondary capacity market. Furthermore the incentive structure delivers alignment between Transco and the Community interest and that these interests are best served by allowing Transco discretion in respect of the information it releases in respect of its forward contracting activity. Transco is concerned that greater information exposure may discourage participation in forwards contracting leaving Transco with greater dependence on the RGTA capacity buy back mechanism.

The current regime requires Transco to offer for sale system entry capacity that is generally acknowledged to be in excess of the physical capability of the Network. The regime structure has therefore, by design, placed Transco in a distressed position. Transco considers that disclosure of tender offer information for forward and option ASEP/delivery period combinations where Transco has not entered into any contracts, may detract from the economic and efficient management of buy back risk. Transco remains concerned that publication of such information might see changes in behaviour in such tender processes that could exploit Transco's distress. If this was to happen then this would generate increased cost for the community.

Transco was able to mitigate considerable exposure by forwards and options contracting throughout the summer of 2002. During this period it had discretion as to what information to release. Following the implementation of Modification Proposal 0587 on 25 October 2002, which was intended to increase liquidity in respect of forward and option entry capacity tenders, Transco notes reduced volumes being offered in subsequent tenders and at higher prices. Whilst this does not conclusively prove information is the primary cause of this change, Transco remains of the view that obligatory release of information is not helpful in respect of encouraging competition or liquidity. It is axiomatic that if Transco believed that release of such information would increase competition and reduce costs then, assuming no other impediment, it would release information without hesitation as it would be to Transco's benefit to do so. In this case Transco does not consider that the recent experience bears out the assumption that more information leads to greater liquidity.

Transco believes that, given the very low level of competition evident in the secondary capacity market, further information release might better inform such participants of the value that they might be able to extract from the regime. This might increase short-term costs for the industry but with no assurance that benefit in respect of increased competition might accrue in the longer term.

Given the interpretational issues experienced with respect to Modification Proposals 0587 and 0588 and in order to facilitate efficient consideration of this Proposal, Transco requested in the Draft Modification Report views in respect of whether the draft legal text appropriately reflect the intent of this Proposal. No respondent has shared any views regarding legal text for this Proposal.

Transco has considered the possible interactions between the gas and electricity regimes and has concluded that there would be no impact on the electricity regime if this Modification Proposal was implemented.

Transco concludes that the implementation of this Proposal would neither better facilitate the economic and efficient operation of the system or increase competition between Users. The Proposal seeks to increase risks associated with the management of entry capacity buy back which might be expected to increase costs to the community compared with the situation where Transco has discretion to release information that it feels might enhance the efficient operation of the forward and option tender process.

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

The intent of this Proposal is to align the provision of prospective forward and option capacity tender information with the treatment of retrospective provision as implemented in Modification Proposal 0588 and to supplement the provisions of Modification Proposal 0587.

Transco maintains the view expressed in the draft and final Modification Reports, 0587 and 0588, that it does not believe that the Proposals would further the relevant objectives.

4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:

Transco maintains the view expressed in the draft and final Modification Reports for 0587, ' Prospective Publication of Further Forward and Option Entry Capacity Information', that release of capacity buy back information might have a detrimental impact on the operation of the System. Transco believes that greater information disclosure may discourage participation in forwards and option contracting. This may detract from Transco's use of such commercial risk management tools and place inappropriate reliance on within day buy backs using the RGTA buy back mechanism. This may lead to volatile financial outcomes in respect of the capacity incentive. Transco considers that it would not be economic or efficient to implement an information requirement that has the potential to undermine the viability of the risk management tool itself.

b) development and capital cost and operating cost implications:

Implementation would involve some additional administrative effort each time Transco conducts forward or option tender processes.

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:

Any additional System Operator costs incurred as a result of implementing this Proposal would be shared with Users under the proposed incentive schemes, as defined in the Transco Licence.

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

Transco is not aware of any consequences this Proposal would have on price regulation.

5. 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

Tenders issued after 11 February 2003 were amended to provide for the additional information requirements envisaged by this Proposal. Transco considers that any foreseeable contractual risk arising from this Proposal has therefore been mitigated. The following paragraphs have been added to Tender documentation:-

Clause 11. Confidentiality

- (c) it is agreed that Transco may disclose any information (including, without limitation, details of prices and quantities contained in any

Tender Document whether or not an Option is entered into in relation thereto) to the extent required by the Network Code, including to the extent that any subsequent amendments or modifications thereto may require such disclosure (notwithstanding that any such amendments or modifications may, whether in whole or in part, have retrospective effect.

Tender Offer Notice

8. In submitting this Tender Offer Notice the Tendering User acknowledges and agrees that, irrespective of whether or not a Tender Acceptance Notice is issued in relation to any Tender Offer(s) set out herein, Transco may disclose any information contained herein as provided in Clause 11 of the Terms.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

If implemented, Transco would envisage publication of the required data in a standardised data format via the Transco Website. Users would then need to download the data and further process (if required) within their systems.

7. The implications of implementing the Modification Proposal for Users

If implemented this Proposal would result in Users having access to information about the outcome of tender processes conducted after 11th February 2003 for forward and option contracts for entry capacity buy backs, including the provision of information relating to tender offers for ASEP/time period combinations which have not been accepted by Transco.

Users might share in any increase in capacity buy back cost that may arise.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

Transco has not identified any implications for Terminal Operators, Consumers, Connected System Operators, Suppliers, Producers and any Non-Network Code Party.

9. 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

This Modification Proposal would change the basis of information provision in respect of the capacity buy back forwards and options tender processes conducted after 11 February 2003.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages:

- Users would have access to additional information.
- Users can better understand the value Transco ascribes to capacity.

Disadvantages:

- Commercially sensitive information may be published.
- Prices for forward and option contracts might increase and might not reflect a Users' valuation of capacity.
- Users may face higher costs through the SO incentive arrangements.
- Risk of reduced forward liquidity.
- May discourage Users from offering capacity at their opportunity cost.

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

Representation were received from seven respondents.

Powergen	PG
Scottish and Southern Energy plc	SSE
Innogy	Innogy
British Gas Trading	BGT
London Electricity Group plc	LE
Scottish Power	SP
ShellGasDirect	SGD

All respondents expressed support for the Proposal.

Increasing Competition and Market Participation

All respondents considered that the publication of the proposed information would supplement information provided through the implementation of Modification Proposals 0587 and 0588. Powergen considered that, "Any additional information that Transco can provide regarding the outcome of the tenders and options will also benefit the industry by improving market knowledge and therefore behaviour". Most respondents shared SP's view that the release of such information, "could stimulate the secondary market for capacity and promote liquidity". Innogy expressed the view that, "Increased competition between shippers in selling back capacity to Transco should help also reduce buy-back cost".

SP considered that although such information could help decrease the cost of capacity in the secondary market it appeared unlikely that it would, "significantly affect the number of participants involved in the tendering process..".

Transco Response

PG expressed the view that additional information regarding the outcome of forward and option tenders may improve market knowledge and behaviour, Transco remains unclear how the provision of such information, which may reveal Transco procurement strategy in respect Forward and Option tenders, would increase competition in the secondary capacity market or assist Transco in the efficient and economic procurement of such capacity. Transco agrees with SP, who stated that it was unlikely that implementation this of Proposal would have any significant effect on the number of participants involved in the Option and Forward tender process.

Transco notes that following the implementation of both 0587 and 0588 Transco does not believe it has seen any improvement in liquidity in the secondary market or evidence of improvements in respect of competitive pricing. Transco is unclear how the release of information relating to bids not accepted would benefit the market other than revealing Transco strategy and placing it in a distressed position which may benefit individual Users to the detriment of the community.

Monitoring

LE and SGD considered that the Proposal may provide Users with a better understanding of Transco's valuation of capacity and enable monitoring of Transco's actions. SGD stated that, "Transco is incentivised to act with more commercial freedom, it is important that market players are able to monitor Transco's activities effectively". Innogy considered that a better understanding of Transco's valuation would help Users, "to offer prices that are more likely to be taken by Transco".

SP advised that although it supported implementation of the Proposal it recognised the cost implications highlighted by Transco which may have the potential of increasing costs to Users through transportation charges. SP noted that with too much capacity made available in the various auctions and the existing incentives, "working with the more likely implications of this proposal could see increased costs passed to Users. SP believed that, "some protection is required in this process for both the System Operator and existing Users", SP requested that, if this Modification were accepted, it would like to see the consequence on buy back costs to be closely monitored.

Transco Response

Both LE and SGD expressed the view that Transco is currently incentivised to act with commercial freedom and therefore it was important for Users to monitor Transco activities. Transco contends that as part of Transco's Licence the incentive arrangements currently in place are intended to align Transco's interests with desirable outcomes. Transco believes that one of the philosophies underpinning the development of the current regime is that Transco should have increased commercial discretion. Transco considers that provision of such additional information would make it more difficult to procure economic and efficient option and forward capacity services.

The SO incentive schemes are designed to promote low cost system management with any benefits arising being shared between Users and Transco. This should provide an alignment between the interests of the community and Transco and additionally generates an appropriate driver for Transco to manage such costs. Given the nature of the redistributive effects and the benefits accruing to individual Users from the acceptance of Forward and Option contracts, there is not always an alignment between

an individual User and the interests of the community as a whole. Therefore it may not be appropriate for market players to be able to monitor Transco activities when such activity could lead to greater costs of system management given the low levels of competition seen in the buy back market.

SP raised concerns that a degree of protection was required in the process for both the System Operator and Users in respect of the potential for increased transportation costs. SP suggested that, in the event of the implementation of this Proposal, buy back costs should be closely monitored; Transco would agree that it would be prudent to monitor buy back cost and notes that the continued provision to Ofgem of information on all tenders should offer the industry some comfort that the process is appropriately managed within the requirements of both the Network Code and the Licence requirements.

Asymmetry of Transco as Market Participant

SGD and SP expressed the view that Transco differed from any other participants in the secondary capacity market. SGD considered that Transco as a monopoly provider of entry capacity and operator of the system "must have different requirements from the competitive participants in the market". SP had some sympathy for Transco's position of potentially being placed in a distressed buyer position however it found it "difficult to see Transco as a participant in the same way as other players in the capacity purchasing market".

SSE did not share Transco's concerns that such information release would discourage participation and risk the exploitation of Transco's position. However it believed that it was essential that "confidentiality is maintained" seeing no benefit in releasing details of participant identity.

Transco Response

Transco maintains that its roles as the monopoly provider of entry capacity is being confused with its position of procuring entry capacity services within the secondary market. Transco notes that some of the respondents considered that Transco in its roles as monopoly provider of entry capacity and as System Operator holds an advantageous position when procuring capacity within a competitive trading market and that this differentiates it from other participants. Transco contends that this distinction is misleading, in its procurement role within the secondary capacity market Transco hold no greater advantage than any other participant.

In response to SSE's statement that confidentiality should be maintained. Transco remains of the view that if reporting obligations are to be introduced such data should only be released in the context of there being in excess of 3 successful tenderers in respect of each tender/ASEP/time period combination.

Transco notes that if information release by Transco on entry capacity trading is of benefit to the community then it may be even more beneficial to extend information release obligations to all market participants in the interests of furthering competition. This would have the additional benefit of enabling all Users to judge the efficiency of Transco actions against the wider market.

Implementation Costs

SSE advised that any cost and effort required to implement this Proposal should be kept to a minimum and suggested that it would be helpful if some implementation costs and timescales were provided.

Transco Response

Transco does not anticipate that any significant costs will be generated by the implementation of this Modification Proposal. Transco will endeavour to meet the timescales advised should Ofgem direct to implement.

Alignment with Electricity

LE asserted that the Modification would, "further align the gas market data release with that seen in the electricity market, where NGC's tender proposals are published".

Transco Response

In response to LE's assertion that implementation of this Proposal would align gas and electricity data release, Transco's view is that within the Electricity Market the current arrangements for Transmission Access are entirely different from those in gas and comparisons of this type are therefore invalid. Where sufficient competition exists in the provision of services for the purpose of electricity balancing National Grid goes out to tender to procure these services, as described in the Procurement Guidelines. In these cases, information on tender submissions is made available on an ex-post basis. Additionally, even if this Modification were to better align gas and electricity, Transco believes that it is difficult, and sometimes incorrect, to draw parallels between the detail of information provision on the two subjects.

Transco maintains the view that there are fundamental differences in the tools that are available to gas and electricity System Operators. In electricity tools are 'physical' and designed to deliver location specific generator or demand changes as a direct result of exercise. Such tools are typically only required by the Electricity SO which is therefore effectively in a monopoly procurement role, with no other market participant likely to require such specific services. Entry capacity by contrast is a 'commercial' entitlement with no direct link, to physical changes resulting from deployment. Physical flow changes will only arise in the context of the commercial incentives inherent in the regime that arise as a consequence of the trade. Transco is a market participant just like any other player in the secondary market, buying and selling an option rather than an obligation. Transco should therefore not be subject to obligations that do not apply to other market participants.

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

Implementation is not required for this purpose.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

Implementation is not required having regard to any such proposed change.

14. Programme of works required as a consequence of implementing the Modification Proposal

No such program of work is required.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

As Transco does not support implementation, no timetable is provided.

16. Recommendation concerning the implementation of the Modification Proposal

Transco does not recommend implementation.

17. 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.

18. Transco's Proposal

This revised Modification Report contains Transco's proposal not to modify the Network Code but has been prepared following direction from the Gas & Electricity Markets Authority.

19. Text

SECTION B

Amend paragraph 2.8.8 as follows:

“For the purposes ...:

“**Forward Agreement**” means ...;

“**Option Agreement**” means ...;

“**Relevant Forward Combination**” means a specific combination of Aggregate System Entry Point and forward delivery period as set out in a valid tender offer submitted to Transco pursuant to a Tender Invitation Notice;

“**Relevant Option Combination**” means a specific combination of Aggregate System Entry Point and option exercise period as set out in a valid tender offer submitted to Transco pursuant to a Tender Invitation Notice; and

“**Tender Invitation Notice**” means”

Amend paragraph 2.8.9 as follows:

“(a) Where, in respect of a Relevant Forward Combination and pursuant to a Tender Invitation Notice, Transco enters into Forward Agreement(s) with Users...giving effect to this paragraph (a), it shall publish on the Business Day following that on which it enters into such Forward Agreement(s) and in respect ...:

(i) ...Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;

(ii) ... received by Transco for that Relevant Forward Combination pursuant to that Tender Invitation Notice;

- (iii) ... Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (iv) ... Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (v) in respect of such Forward Agreement(s), the volume weighted average price ...;
 - (vi) in respect of such Forward Agreement(s), the aggregate quantity ... ;
 - (vii) in respect of such Forward Agreement(s), the minimum price ... ; and
 - (viii) in respect of such Forward Agreement(s), the maximum price
- (b) Where, in respect of a Relevant Option Combination and pursuant to a Tender Invitation Notice, Transco enters into Option Agreement(s) with Users... giving effect to this paragraph (b), it shall publish on the Business Day following that on which it enters into such Option Agreement(s):
- (i) ... Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (ii) ... received by Transco for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (iii) ... Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (iv) ... Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (v) in respect of such Option Agreement(s), the volume weighted average strike price ...;
 - (vi) in respect of such Option Agreement(s), the aggregate quantity ...;
 - (vii) in respect of such Option Agreement(s), the minimum strike price ...; and

- (viii) in respect of such Option Agreement(s), the maximum strike price
- (c) ...this paragraph (c), Transco ...:
 - (i) ...; and
 - (ii)
- (d) Where, after the date of implementation of the modification proposal giving effect to this paragraph (d) and pursuant to a Tender Invitation Notice, Transco receives valid tender offers in respect of a Relevant Forward Combination but Transco does not enter into any Forward Agreements with Users in respect of that Relevant Forward Combination pursuant to that Tender Invitation Notice, it shall nevertheless publish, within four Business Days following the last Day on which such tender offers may have been submitted to Transco pursuant to that Tender Invitation Notice, and in respect of each Gas Flow Day in the relevant forward delivery period:
 - (i) the volume weighted average price in respect of all valid offers received by Transco for the surrender of Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (ii) the aggregate quantity of Firm System Entry Capacity for which valid offers to surrender were received by Transco for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (iii) the minimum price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice; and
 - (iv) the maximum price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice.

- (e) Where, after the date of implementation of the modification proposal giving effect to this paragraph (e) and pursuant to a Tender Invitation Notice, Transco receives valid tender offers in respect of a Relevant Option Combination but Transco does not enter into any Option Agreements with Users in respect of that Relevant Option Combination pursuant to that Tender Invitation Notice, it shall nevertheless publish within four Business Days following the last Day on which such tender offers may have been submitted to Transco pursuant to that Tender Invitation Notice:
- (i) the volume weighted average strike price in respect of all valid offers received by Transco for the surrender of Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (ii) the aggregate quantity of Firm System Entry Capacity for which valid offers to surrender were received by Transco for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (iii) the minimum strike price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice; and
 - (iv) the maximum strike price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice.”

TRANSITION DOCUMENT PART II

Insert a new paragraph 8.1.4B as follows:

- “B2.8.9 Sections B2.8.9(d) and (e) shall apply in respect of Tender Invitation Notices issued on or after 11 February 2003 save that in respect of the period from 11 February 2003 to the date of the implementation of the modification proposal giving effect to

this paragraph 8.1.4B, the references to the date by which information is to be provided shall instead be to the first Business Day following the implementation of such modification proposal.”

Signed for and on behalf of Transco.

Signature:

Nigel Sisman
Development Manager - Gas Balancing
NT & T

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0620**, version **2.0** dated **05/06/2003**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **2.0**.

Signature:

Process Manager - Network Code
Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") 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 Authority 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 paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.

2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.