



Shippers, Transco and other interested parties

*Bringing choice and value
to customers*

Our Ref: net/cod/mod/0652
Direct Dial: 020 7901 7437
Email: mark.feather@ofgem.gov.uk

19 September 2003

Dear Colleague,

Request for urgent status for modification proposals 0652 "Revision of Supply Point Ratchet Charge Multiplier for Gas year 2003/4"

Ofgem has considered Transco's request for modification proposal 0652 "Revision of Supply Point Ratchet Charge Multiplier for Gas year 2003/4" to follow urgent procedures.

Modification proposal 0652 would reduce the supply point ratchet charge that Transco, under section B4.7.6 of its network code, would apply from 1 October 2003 to users whose daily quantity offtaken (UDQO) exceeds the provisional maximum supply point capacity (PMSOQ). Specifically, it is proposed that, for the period from 1 October 2003 to 31 May 2004, the supply point ratchet charge multiplier is reduced to 0.01 from the current value of 2.

The modification proposal is intended to provide a short term solution to concerns that have been raised by shippers that the ratchet charges are inappropriately high. In this respect, in raising the proposal Transco has indicated that whilst incentives to drive shippers' commercial behaviour with respect to flowing gas in excess of capacity at supply points are appropriate, it nevertheless considers that the existing charging regime should be moderated.

Modification proposal 0652 would affect charges that Transco expects to implement from 1 October 2003. Ofgem considers that urgent procedures are necessary in order for this proposal to be considered before such an imminent date. Furthermore, without commenting on the merits of the proposal, Ofgem considers that there could be a significant and material financial impact on shippers with sites that have been classed at risk of supply point breaches, were the proposal not to be granted urgent status.

As noted above, in accepting this request for urgency, Ofgem has made no assessment of the merits of this modification proposal.

The timetable for the modification proposal to follow urgent status will be as follows:

Issued to Ofgem for decision on urgency	18 September 2003
Proposal agreed as urgent	19 September 2003
Proposal issued for consultation	19 September 2003
Close out of representations	24 September 2003
Final report to Ofgem	26 September 2003
Ofgem decision expected	29 September 2003

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the number above or, alternatively, Samanta Padalino on 020 7901 7033.

Yours sincerely,



Mark Feather
Head of Gas Trading Arrangements