



Shippers, Transco and Other Interested parties

choice and customers

Our Ref: net/cod/mod/0638
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18 October 2006

Dear Colleague,

Request for urgent status for modification proposal 0638 'Extended LTSEC Auctions at New Entry Points'

Ofgem has considered Transco's request for modification proposal 0638, '*Extended LTSEC Auctions at New Entry Points*', to follow urgent procedures. We consider that this proposal merits urgent status and we have set out our reasons for determining this status below.

Modification proposal 0638 would provide for Transco to conduct an extended auction of quarterly system entry capacity. The proposal provides that the extended auction would apply to new entry terminals where there is an agreement with a market participant(s) to fund Transco's costs of extending the auction and where a price schedule has not previously been published for the new entry point in Transco's Transportation Statement.

Transco's stated purpose of the proposal is to enable it to develop an efficiently sized pipeline system to provide entry capacity at new entry points where there are multiple developments planned for a new entry point, but with different timings. The modification proposal would allow for auction information to be aggregated over a longer period so that efficient investment could be made to underpin demand for capacity at the proposed new entry point. Transco has proposed that the modification would also allow economies of scale to be realised by participants bidding in an extended auction. The proposal would allow shippers to secure capacity at an interim stage and at a final stage of an extended auction.

This proposal is linked to the next long-term auctions, which are scheduled for September 2003. Urgent procedures are necessary in order for consideration of this proposal to be concluded in time for the long-term auctions, including allowing a period of prior notice before commencement of the auctions. Further, without commenting on the merits of the proposal,

Ofgem considers that there would be a significant and material commercial impact upon shippers who may be interested in acquiring entry capacity at proposed new entry terminals were the proposal not to be granted urgent status. In addition, any such commercial impact would extend to Transco to the extent that it would need to make investment decisions on the basis of any signals received from long-term auctions at new entry points.

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

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

Issued to Ofgem for urgency	7 July 2003
Proposal agreed as urgent	8 July 2003
Proposal issued for consultation	8 July 2003
Close out for representations	24 July 2003
Final report to Ofgem	28 July 2003
Ofgem decision expected	31 July 2003

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 Tolani Azeez on 020 7901 7043.

Yours sincerely,



Mark Feather
Head of Gas Trading Arrangements