

Transco, Shippers and Other Interested Parties

Our Ref: Net/Cod/Mod/0587
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23 September 2002

Dear Colleague,

Modification Proposal 587 'Prospective publication of further forward and option entry capacity information'

Ofgem has considered the request from AEP Energy Services Ltd for Modification Proposal 587, '*Prospective publication of further forward and option entry capacity information*,' to follow urgent procedures. We agree that this modification merits urgent status.

This modification proposal provides for an amendment to the Network Code to require Transco to publish specified information within one working day of the completion of each forward and option tender held following the implementation of this modification. In relation to capacity forward tenders, Transco would be required to publish for each ASEP and for each day of the Forward Delivery Period tendered for, the following information:

- the volume weighted average price of forward tender offers received;
- the volume of forward tender offers received;
- the minimum price of forward tender offers received;
- the maximum price of forward tender offers received;
- the volume weighted average price of forward tender offers accepted;
- the volume of forward tender offers accepted;
- the minimum price of forward tender offers accepted; and
- the maximum price of forward tender offers accepted.

In relation to capacity option tenders, Transco would be required to publish for each ASEP and for each Option Exercise Period tendered for, the following information:

- the volume weighted average of option strike prices received;
- the volume of option tender offers received;
- the minimum of offered option strike prices;
- the maximum of offered option strike prices;
- the volume weighted average of accepted option strike prices;
- the volume of options tenders accepted;
- the minimum of accepted option strike prices; and

- the maximum of accepted option strike prices.

Under the proposal Transco would also be required to notify users for each Gas Day (for each ASEP) of the volume of entry capacity options exercised on that Gas Day and the weighted average strike price of the options exercised on that Gas Day.

Transco has recently commenced conducting tenders for forwards and options contracts in respect of entry capacity. Following Ofgem's decision on 15 August 2002 to accept modification proposal 561, '*Publication of capacity forward and option costs*,' Transco has been required to publish certain information relating to the results of these entry capacity tenders. Most recently, on 18 September 2002, Transco issued an invitation to tender for capacity option contracts for the forthcoming winter period. This tender closes on 24 September 2002.

Ofgem considers that urgent consideration of this proposal to require Transco to publish additional information in relation to future tenders is warranted. In particular, subject to consideration of this proposal and respondents views, were the proposal to be implemented it could allow for the release of information in time for future tenders relating to this forthcoming winter period.

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

Issued to Ofgem for decision on urgency	20 September 2002
Proposal agreed as urgent	23 September 2002
Proposal issued for consultation	24 September 2002
Close out of representations	1 October 2002
Final report to Ofgem	4 October 2002
Ofgem decision expected	9 October 2002

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 Lyn Camilleri on 020 7901 7431.

Yours sincerely,

Mark Feather
Head of New Gas Trading Arrangements