



Shippers, Transco and Other Interested Parties

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value to customers*

Our Ref: Net/Cod/Mod/0594
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24 October 2002

Dear Colleague,

Modification Proposal 0594 'Obligation on the shrinkage provider to acquire system entry capacity'

Ofgem has considered the request from AEP Energy Services Ltd for modification proposal 0594 '*Obligation on the shrinkage provider to acquire system entry capacity*' to follow urgent procedures. We do not agree that this modification proposal merits urgent status.

Under this modification proposal the Shrinkage Provider would be required to hold System Entry Capacity and to pay all Entry Capacity Charges (and overruns) where it purchases gas for delivery to the system. Under the current network code provisions the Shrinkage provider is not required to hold system entry capacity or pay capacity charges.

Ofgem does not consider that this modification is linked to any immediate date related events or any immediate safety or security implications for Transco's National Transmission System. Further, Ofgem is not satisfied that any failure to grant urgency would significantly impact upon the commercial interests of shippers, customers, or Transco in circumstances where shrinkage volumes are relatively small as a proportion of total throughput.

In rejecting this request for urgency status, we have made no assessment of the merits of this proposal, which should be considered through the normal network code procedures.

If you have any queries in relation to the issued 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