URGENT Modification Report
Change to the mechanism for recovering the costs of locational balancing actions
Modification Reference Number 0592

Version 1.0

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.9.3.

Circumstances Making this Modification Proposal Urgent:

In accordance with Rule 9.1.2 Ofgem has agreed that this Modification Proposal should be treated as Urgent because "Transco has already bought back substantial volumes of entry capacity in recent weeks and has also taken locational actions during these constraint periods. In view of this, and given that the Proposal directly relates to Transco's buy-back incentives, we believe, without commenting on its merits, that there is a very real likelihood of a significant commercial impact upon Shippers and customers should this Proposal not be granted Urgent status."

Procedures Followed:

Transco agreed with Ofgem (and has followed) the following procedures for this Proposal:

Issued to Ofgem for decision on urgency	18 October 2002
Modification Proposal agreed as Urgent	24 October 2002
Modification Proposal issued for consultation	24 October 2002
Close out for representations	04 November 2002
Final Modification Report submitted to Ofgem	08 November 2002
Ofgem decision expected	13 November 2002

1. The Modification Proposal

In the Modification Proposal AEP stated that:

"Transco will pay the full cost of any Market Balancing Buy or Sell Action for the purposes of increasing or decreasing gas flows at a System Point for the purposes of avoiding or remedying a Localised Transportation Deficit.

At the end of the year, Transco will add these costs to level of costs under the SO entry capacity incentive and will then determine the payment due to (or from) Transco under the sharing factors, caps/collars and target costs set out in the licence with all locational action costs deemed to be costs. To the extent that Transco has overpaid over the course of the year, any shortfall should be recovered through an adjustment to the SO commodity charge."

2. Transco's Opinion

The Proposal is inconsistent with Transco's Licence.

The Proposer contends that the current Network Code creates "an anomalous situation where the costs associated with locational actions do not form part of Transco's incentives" which "would appear to be an oversight" and "appear to be inconsistent with the intent of Ofgem's NTS SO incentive arrangements."

Gas balancing actions taken for locational reasons need to be considered in the context of the three relevant SO incentive schemes: the entry capacity buy-back incentive (where the performance measure is defined in Special Condition 28B 14(7)(b) "The entry capacity buy-back performance measure (BBCPt)"); the exit capacity incentive (where the performance measure is defined in Special Condition 28B 14(6)(h) "The exit performance measure (ExCPt)") and the residual gas balancing incentive (where the relevant performance measure is defined in Special Condition 28B 14(9)(f) "The daily residual balancing price performance measure (PPMd,t)").

Special Condition 28B (paragraph 14(7)(b)) defines the costs that contribute to the entry capacity buy-back performance measure. These represent three cost components that relate to the management of system entry capacity associated with:

- the curtailment of capacity rights to put gas into the System,
- agreeing to offtake gas from the NTS at Transco's request, and
- other commercial or physical action to manage entry capacity.

The Proposal advocates that the "costs" associated with Market Balancing Actions to avoid or remedy a Localised Transportation Deficit (LTD) should contribute to the level of cost under the SO entry capacity buy-back incentive. This Proposal is therefore inconsistent with the Licence and should not be implemented.

Transco has also considered the Proposal in the context of Special Condition 28B 14(6)(h) but is unable to identify how any costs arising from the resolution of Localised Transportation Deficits could be considered to be part of the exit capacity incentive.

Transco understands that the intent of the buy-back (in conjunction with the entry investment incentive) and exit capacity incentives is to support the appropriate provision of capacity and the efficient utilisation of such capacity. These schemes are designed to address situations where, in aggregate, Users might wish to flow gas in excess of flow capability. Transco has consistently expressed the opinion that, despite the fact that such an approach has not been taken to date, it is possible to envisage circumstances where it might be efficient to use gas balancing actions as an alternative to repurchase of capacity to assist management of situations where Users might desire to flow more gas at particular locations than the System can accommodate. It should be noted, however, that such an initiative is not presently recognised in the Network Code, and hence modification is likely to be needed to facilitate any such approach being implemented.

The resolution of LTDs is a different circumstance. Capacity in this context cannot be considered to be constrained but rather, under these circumstances, low gas flows in some part(s) of the System might jeopardise security of supply unless residual actions are taken by the System Operator. Given a commercial regime defined by daily allocation and imbalance cashout processes, the requirement to address LTDs is an inevitable consequence of the physical dynamics of a gas network (where transmission speeds are slower than in other network industries, most notably in electricity). This has always been understood by the Community and hence the current treatment of LTDs has been a feature of the Network Code since it was first implemented. Transco believes this was understood in the context of the development of the Licence and cannot therefore be considered to have been an oversight in the context of either the Licence or the Network Code.

Transco has incentives to efficiently manage LTDs. Within Special Condition 28B 14(9)(f), any Market Balancing Actions taken for such reason contribute to the price performance measure (PPMd,t) that determines energy balancing incentive performance.

Transco therefore concludes that this Proposal is inconsistent with the Licence and should not be implemented.

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

The Proposer stated that:
"This modification would, if implemented, better facilitate the relevant objectives of the efficient and economic operation of the pipeline system. Transco would face the full costs of transportation constraints under the relevant incentive schemes. This will lead to more efficient system operation and development of the system."

This Proposal is inconsistent with the Licence and hence cannot be considered to satisfy the relevant objective associated with the efficient discharge of Transco obligations under the Licence.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

It is not considered that implementation of the Proposal would have any material impact on the operation of the System. Whilst the intent of the Proposal may be to promote the use of entry capacity management to address LTDs, it is possible that a buy-back of entry capacity rights could reduce (rather than increase) gas flows onto the System which might worsen the deficit at the relevant location. Furthermore, even should Users resource gas at another location the time lag between buy-back action and changes in gas flows in the proximity of the area associated with the LTD might mean that the deficit is not resolved in a timely manner.

b) development and capital cost and operating cost implications:

The Proposal might generate extra costs associated with IT system developments and the management of internal business processes. Changes would be required to the current energy balancing neutrality processes in addition to the capacity neutrality processes and SO commodity charge determination.

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:

Transco would not seek to recover any additional costs as a result of implementation of the Proposal.

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

Implementation of the Proposal would have no direct impact on price regulation. However, the suggested cost recovery via the SO commodity charge could lead to increased temporal misallocation of costs. The current cost targeting achieved by Balancing Neutrality, where costs which might be considered to be accrued on a Gas Day are recovered from Users using the System on that Gas Day, are likely to ensure a more appropriate temporal allocation of costs. Thus, the Proposal might be considered to adversely affect cost targeting.

Implementation of the Proposal would also require a Licence change to ensure that the costs of locational actions taken to address LTDs are treated within the relevant SO incentive schemes in a consistent manner.

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

No consequences are envisaged on the level of contractual risk to Transco.

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

IT systems would require amendments to ensure that the relevant Market Balancing Actions are included in the capacity neutrality process and buy-back incentive scheme. Transco is not aware of any changes that might be needed within the IT systems of Users.

7. The implications of implementing the Modification Proposal for Users

Users would no longer be exposed to the costs of locational balancing actions for the resolution of LTDs, via Balancing Neutrality, but would be exposed to these costs via the entry capacity buy-back incentive scheme.

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

Transco is not aware of any implications for the above parties as a result of implementation of the Proposal.

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

Use of locational actions to resolve LTDs is specified in the Safety Case. Before Transco could contemplate alternative tools to manage LTDs, it might be necessary to submit a Safety Case change to the HSE. If the Proposal is implemented, Transco might not be able to exercise discretion in respect of the tools available until any Safety Case changes have been agreed.

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

Advantages:

- May promote Transco exercise of discretion in respect of alternative tool deployment to yield more efficient outcome;
- May provide an additional opportunity to increase trading opportunities associated with the surrender of firm system entry capacity; and
- May increase incentive on Transco to develop a System better able to accommodate larger locational supply/demand imbalances.

Disadvantages:

- The Proposal is inconsistent with the definition of parameters in Licence Condition 28B (paragraph 14(7)(b));
- buy-back of entry capacity at some Entry Points may not deliver the desired transfer of gas flows;
- Even if the above gas flows did materialise, the gas might not reach the area of LTD in a timely manner;
- 'Squeezing' gas flows at some Entry Points in order to influence gas flows at the preferred Entry Points might limit shipper freedom to deliver gas onto the System; and
- Security of supply may be adversely impacted, unless Transco was to become involved in more regular release of within day capacity and Users were to achieve timely flow rate changes.

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

Representations were received from the following parties:

Respondent	Response
Powergen	For
Entergy-Koch Trading Limited (EKTL)	For
AEP	For
Statoil (UK) Limited (STUK)	For
Scottish Power	For
British Gas Trading (BGT)	Qualified Support
EnMo	Against
Shell Gas Direct (SGD)	Against
Scottish and Southern Energy (SSE)	Against

BGT supports the Proposal but opposes an implementation date prior to 1 April 2003.

1. Entry Capacity buy-back as an Alternative Tool to Locational Actions

Powergen commented that whilst Transco is "able to take actions on either the energy or capacity side of the market ....in recent weeks it appears that Transco have been selling locational gas off the system in order to avoid exposure to their buy-back incentive".

STUK stated that by incentivising Transco to use the capacity market rather than the locational market, the Proposal may increase further distortions and the cost exposure to Transco.

Whilst SGD stated that whilst locational actions may be considered a substitute for Entry or Exit Capacity buy-backs (eg locational sell if too much gas is entering the System), it is not convinced that locational gas buys are a substitute for Entry Capacity buy-backs. It is of the opinion that "each tool is most effectively used for the purpose for which it was created (ie buy-backs for entry capacity constraints and locational actions for locational transportation deficit)."

SGD noted that, since Transco does not take a significant number of locational actions, the Proposal does not address any tangible problem with Transco's operation of the System. It also noted that Transco has taken buy-back actions on the same day as locational actions, implying that the two sets of actions could be complementary rather than constituting evidence of perverse incentives or inefficient actions.

SGD does not believe that buy-backs at one terminal would encourage shipper actions at other terminals nor does it see any interaction between terminal actions and locational actions.

SSE disputed the Proposer's assertion that locational actions are an alternative constraint management tool. It pointed out that the Code (Section D1.5) specifically prohibits Transco from utilising locational balancing actions to alleviate entry capacity constraints.

Whilst SSE agreed that there is potential for Transco to arbitrage between its SO incentives (as was the intention of SO incentive proposals), it saw lack of cost transparency as a major issue, particularly where Transco actions might provide multiple solutions to System Operation problems and thus lead to the difficulty of targeting the cost of such actions to the "correct pot". It believed that, in recovering the costs of locational balancing actions, the first step must be identification of the linkages between Transco actions and the relevant SO incentive component. It does not believe that the costs of locational balancing actions should be solely attributed to the "buy-back pot", mainly because a LTD could occur at any point in the System, whilst buy-backs are incurred at specific system points.

BGT agreed with AEP that Locational balancing actions are an alternative commercial tool to entry capacity buy-backs, and that, in absence of a rule change, Transco has a perverse incentive to use Locational actions in preference to buy-back actions.

Transco's Opinion:

Transco considers that entry capacity buy-backs and locational market balancing actions are not necessarily alternative tools in the context of system management. Their primary intents are to resolve two different problems. Entry capacity buy-backs are intended to address input constraints where too much gas is coming onto the System; the entry capacity buy-back incentive in the Licence focuses on this problem.

In contrast, locational market balancing actions provide a means of affecting gas flows at particular locations. Specifically, in the context of LTDs, locational market balancing actions provide a tool to address the problem of insufficient gas. Transco believes that locational market balancing actions might have a role in managing flows at entry points (as an alternative to curtailment of capacity rights to reduce gas flows coming onto the System). This would be consistent with the Licence but, as SSE note, would be likely to require a Network Code change. However, this Proposal focuses on the use of capacity buy-backs to resolve LTDs and Transco is not convinced that entry capacity management is likely to provide an appropriate tool to address LTDs.

For Transco, when experiencing a LTD, a key issue in resolving the gas deficiency is the response time for affecting the required gas flow changes; a locational market balancing action close to the part of the System experiencing the LTD may be essential to address the LTD in a timely manner. Transco believes that AEP's Proposal has two fundamental shortcomings; firstly, a buy-back of entry capacity rights could reduce gas flows onto the System which might worsen, rather than improve, the deficit at the relevant location. Secondly, even if gas flows onto the System did increase at some preferred input points, the time lag between the associated gas entering the System and reaching the area associated with the LTD may make this option impractical. Transco therefore agrees with SSE and SGD that Entry Capacity buy-backs are not an alternative tool to locational market balancing actions when the objective is to address a LTD.

During this Gas Year, Transco has taken locational market balancing actions on one occasion (8 October 2002), and prior to this, the last locational balancing action was taken on 14 May 2002. On both of these occasions Transco actually bought, rather than sold, gas. There has therefore been no increased locational sell activity, as suggested by Powergen, by Transco in order to avoid exposure through entry capacity buy-back. Transco would point out that even where gas is not required on a locational basis, but the gas balancing decision making process establishes a requirement, Transco may use the physical and locational elements of the OCM where such prices are better than those available in the title market.

The Network Code (Section D1.5.3) defines a Localised Transportation Deficit (LTD) as "... a deficiency in the quantities of gas which Transco is able to make available for offtake ...... but which does not result from a Transportation Constraint affecting a particular System Entry Point or System Entry Points". Section D1.5

therefore addresses the issue of LTD at offtakes ('too little gas' at offtakes) rather than entry capacity constraints ('too much gas' at Entry Points) and, more specifically, does not impose any restrictions on how Transco should alleviate Entry Capacity constraints, as suggested by SSE.

2. *Appropriateness of Existing Incentive Schemes*

STUK stated that it is necessary to apply incentives where Transco is purchasing gas on the locational market to manage transportation constraints, and that the Proposal will address the issue of no incentive being applied at all to these transactions.

SGD noted an inconsistency between Transco paying only a proportion of the buy-back costs under the current incentive and the Proposal seeking Transco paying full costs of locational actions through this incentive. It also questioned why the full costs of locational actions should be borne by Transco, particularly in light of Transco's current residual gas balancing incentive which already provides (price) incentives with respect to locational actions.

Transco's Opinion:

Contrary to STUK's suggestion of no incentive being applied to in respect of locational market balancing transactions, Transco notes the points identified by SGD. The current residual balancing incentive is designed to encourage Transco to transact at prices close to the market price. This incentive applies to all balancing actions, including those that are taken to address LTDs.

Additionally, Transco does not agree that the Proposal appropriately identifies the cost of the localised market balancing action. Whilst costs will be incurred by the purchase of gas, the gas will effectively then be sold to Users via the commercial consequences of the Balancing Neutrality process. These 'revenues' are not recognised in the Proposal. Transco therefore does not believe that the Proposal can be considered to reasonably reflect the costs (if any) of such localised actions.

3. *Licence Provisions and SO Incentive Design*

Powergen stated "there should be equivalent cost incentives for both locational balancing actions and the buy-back and exit incentive".

EKTL cited a "significant design problem" and the "anomaly" of "significantly different treatment for locational trades as opposed to other system management actions". It saw little rationale for locational trade costs to be passed to Shippers without consideration of whether such actions were the best approach to system management. It believed that inclusion of the cost of locational trades in Transco's buy-back incentive is an appropriate way of assessing the relative costs and giving certainty that Transco is taking the most economic and efficient action.

SGD understood Ofgem's reasoning for including Transco's incentives in its Special Conditions as a way of ensuring a sufficient degree of certainty which allows Transco to fully respond to these incentives. SGD was unclear as to the extent to which Transco's incentives can be altered through a Network Code Modification. SGD saw a Licence modification as a more appropriate route for addressing any issues that Ofgem may have overlooked.

SSE noted that a Network Code Modification alone would not address the concerns raised by the Proposer, and that a Licence modification would be required to incorporate the costs of locational actions in Transco's entry and exit capacity incentives.

Transco's Opinion:

The commercial regime established under the Network Code acknowledged that there was a risk of localised buys being required to address LTDs. The industry agreed that the most efficient outcome would be to accept that such costs might be generated and that any costs would be recovered via the Balancing Neutrality process. The industry accepted that this was a reasonable compromise between, on the one hand, administrative ease and (NBP) market efficiency, and, on the other, the requirement for locational or zonal balancing by individual Users. This principle, in respect of LTDs, has not been reconsidered since, as evidenced by the current Licence and the Network Code. Transco therefore does not agree that there is a "significant design problem" or that there is an "anomaly" of "significantly different treatment for locational trades as opposed to other system management actions". Transco believes that the Licence has been structured to focus Transco's attention where many in the industry consider the most value is at stake. Transco believes that, to date, the true costs of LTDs have been modest and therefore this potential has not yet been reconsidered. This Proposal does not accurately identify the costs of LTDs and might be expected to materially overstate such costs. The Proposal would therefore, given that Transco does not necessarily believe that Capacity Management Agreements provide a realistic alternative, distort Transco's risk/reward position. Given the nature of incentive schemes and associated redistributions to Users, this might further distort competition between Users.

Transco's incentives for residual gas balancing, entry capacity buy-back and exit, along with target performance measures, are defined in Transco's Licence which has been agreed with Ofgem. Ofgem's view is that "... those aspects of the new incentive arrangements that have the potential to materially affect Transco's financial position should be included in its licence.... this is necessary to provide Transco with a sufficient degree of certainty in order to allow it to respond to its incentives" (Transco's NTS SO incentives 2002-07, Final Proposals, paragraph 11.6).,

Transco believes that implementation of the Proposal would change Transco's risk/reward; create distortions and therefore adversely affect competition between Users; and is inconsistent with Ofgem's stated views.

4. Factors Affecting Transco's Locational Balancing Actions

EnMo pointed out that Transco would only have a perverse incentive to use locational market in preference to buy-back actions if cost consideration was the only factor influencing its balancing action decision-making process. It believed that there are many factors considered by the System Operator in determining the most appropriate action.

STUK stated that it is important not to discourage Transco from using the locational market as, very often, it uses this market "for operational reasons and as a matter of safety".

SGD believed that Transco's ability to use locational balancing actions is important for System safety and can be a cheaper alternative than using LNG where locational shortages are encountered.

Transco's Opinion:

Transco agrees with EnMo that many factors feed into Transco's balancing action decision-making process, and that cost consideration is only one such factor. If there is a Localised Transportation Deficit, the most important consideration for Transco is to ensure that the gas deficiency is resolved in a timely manner so that the security of gas supply is not at risk. Transco therefore also agrees with STUK and SGD that System safety is a key consideration in relieving a LTD.

1. *Cash-out Price Determination (Localised Transportation Deficit, Locational Actions)*

EnMo pointed out two "misunderstandings" in the Proposal regarding actions in the locational market. Firstly, contrary to the Proposal implying that all locational market balancing transactions are excluded in the determination of imbalance cashout prices, EnMo stated that only Primary Excluded Actions and Secondary Excluded Actions are excluded and that certain types of locational market balancing transactions do feed into the imbalance cashout price determination process, as identified by Transco Reason Code. Secondly, EnMo suggested the Proposal should clarify that the Proposal should only consider Locational market balancing actions made by Transco (thus excluding shipper to shipper Locational actions which are taken for price purposes and not for transportation constraints) should be considered.

SSE pointed out that, contrary to the statement in the Proposal, only those locational actions that relate to a LTD are excluded from cashout prices, and that it is not necessarily correct to state that all locational balancing actions are associated with a transportation constraint.

Transco's Opinion:

Transco agreed with EnMo and SSE that not all types of locational market balancing actions are excluded from imbalance cashout price determination. Transco may, for example, in the context of national supply/demand balancing, take a locational action in preference to a title trade if the price of a locational action is more favourable than the prices available in the title market. Under this circumstance, the cost of the locational action would feed into the determination of imbalance cashout prices.

2. *Adjustment to SO Commodity Charge*

SGD expressed concern about serious distortions to cashflows and greater volatility of SO commodity charge because the costs/revenues from one year would be carried forward into the next year. SGD believed that the Proposal undermines the stability of the commodity charge.

SSE suggested that the costs should be recovered on an ongoing basis rather than through an [annual] adjustment to the SO commodity charge. The latter would not only lead to Transco making payments up front but also resulting in misallocation of costs between incentive years. SSE believed that the proposed change would also require a Pricing Consultation.

Transco's Opinion:

Transco shares SGD concern over the potential impact on SO commodity charges. The current treatment of LTDs may generate some costs within Balancing Neutrality. However, given the interaction between system balancing cash-flows and imbalance cash-out cash-flows, this treatment is likely to cost target to the day in an acceptable manner. The industry has previously accepted this, given the benefits of a single NBP "balance" rather than having to manage a series of balancing zones. The Proposal defines costs in a way that would distort both balancing neutrality costs and capacity neutrality costs as well as influencing the entry capacity buy-back incentive scheme. Transco therefore believes that the Proposal would weaken cost targeting and might be considered to be detrimental to the promotion of competition between Users.

Transco notes SSE comments that the costs should be recovered on an ongoing basis but would point out that this is effectively what the current treatment achieves.

3. *Efficiency Considerations*

SGD believed that the Proposal would not further the relevant objectives. It believed that the Proposal would create perverse redistribution of costs and undermine Transco's efficient operation. It also believed that the Proposal would make the regime less stable and undermine competition between shippers. SGD considered that efficient system operation should be ensured through Transco's existing incentives and its Licence conditions.

AEP, the Proposer, supported the Proposal and believed that, if implemented, it would better facilitate the relevant objectives, as set out in the Proposal.

Scottish Power believed that implementation of the Proposal would lead to more efficient use of the System, focus Transco's behaviour within the existing incentive framework, remove an inducement for Transco to avoid incentivised actions, and achieve synergy in Transco/NGC SO role by aligning gas and electricity arrangements.

BGT supported Network Code changes that would increase efficiency in terms of reducing end to end system costs. However, it feared that this Proposal, if implemented before 1 April 2003 and without other Code changes, would increase Transco's costs and the value of speculative Entry Capacity bookings rather than improve overall system efficiency. BGT proposed an industry-wide debate on whether implementation should take place at the start of future capacity bookings or within the duration of existing capacity booking.

Transco's Opinion:

Transco does not believe that the Proposal would improve the efficiency of the regime. Transco does not believe that entry capacity buy-backs provide a robust and viable alternative to locational market balancing actions in the context of LTDs. Transco believes that it is already appropriately incentivised in respect of LTDs via its residual gas balancing incentive.

Transco believes that, should it elect to use capacity management as an alternative to locational market balancing actions to address a LTD, the Proposal might limit shipper freedom to deliver gas onto the System. However, this may not be an issue if Transco could ensure it responded to within day capacity requests from Users, and Users were able to deliver timely flow rate changes in respect of gas inputs to the system to utilise such within day capacity release. Transco believes that the Proposal might reduce efficiency by increasing risks on Transco and Users.

Furthermore, Transco believes that the use of capacity management in respect of LTDs is likely to create redistributional distortions given the inappropriate cost identification within the Proposal. These distortions may misallocate costs and therefore act to the detriment of effective competition between shippers.

Implementation of the Proposal would be inconsistent with the Licence and hence does not satisfy the relevant objectives.

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

This Proposal is not required to facilitate compliance with safety or other legislation.

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

No such requirements are anticipated.

14. Programme of works required as a consequence of implementing the ModificationProposal

Transco would need to consider changes to Control Room procedures, make IT changes to support implementation and make changes to invoicing processes.

The use of locational actions to resolve LTDs is specified in the Safety Case. Before Transco could contemplate alternative tools to manage LTDs, it might be necessary to submit a request to change its Safety Case to the HSE. If the Proposal is implemented, Transco might not be able to exercise discretion in respect of the tools available until any Safety Case changes had been agreed.

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

No timetable is necessary given the Transco recommendation in this report.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Proposal should not be implemented.

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 Modification Report contains Transco's proposal not to modify the Network Code and Transco now seeks agreement from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

Signed for and on behalf of Transco.

Signature:

Tim Davis
Head of Regulation NT&T

Date: