

Direct Dial: 0207-901-7437

22 August 2001

Transco, Shippers and Other Interested Parties

Dear Colleague,

Modification Proposal 0490: Adjustment to ASEP capacity revenue neutrality calculation

Ofgem has considered the request from BG Gas Services Limited for modification proposal 0490, *'Adjustment to ASEP capacity revenue neutrality calculation'* to follow urgent procedures. We agree that this modification merits urgent status.

This modification proposes an adjustment to the mechanism by which capacity buy-back costs are apportioned between shippers. In particular BG Gas Services proposes that buy-back costs on any given day would be apportioned between shippers, with 50% smeared across holders of capacity at the constrained terminals and the remaining 50% smeared across all ASEP MSEC holders in accordance with the current apportionment mechanism. BG Gas Services indicates that these costs would be targeted to users holding the effective capacity on a day rather than the initial relevant user of the capacity.

Ofgem considers that this modification proposal merits urgent status as the next round of entry capacity auctions are scheduled to commence on 29 August 2001. Ofgem has therefore decided that urgent procedures are necessary for Modification proposal 0490 due to the short period of time left until the commencement of the auctions.

Ofgem notes that its decision to grant urgency with respect to this modification proposal should not be viewed in any way as fettering Ofgem's powers with respect to its decision whether to approve or reject Modification proposal 0489, *'Revision to NTS Entry Capacity Auction timetable 2001'*.

Issued to Ofgem for decision on urgency	22 August 2001
Proposal agreed as urgent	22 August 2001
Proposal issued for consultation	22 August 2001
Close out for representations	23 August 2001
Final report to Ofgem	24 August 2001
Ofgem decision expected	24 August 2001

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

Mark Feather
Head of RGTA