



26 April 1996

Direct Dial: 0171-932-1645

Our Ref :

Your Ref :

Brian Withington
Manager, Service Development
British Gas TransCo
31 Homer Road
Solihull
B91 3LT

Dear Brian

Urgent Modification : 0017 - Cash-out and reconciliation prices for March 1996

This modification recommends that reconciliation for March 1996 should be at the same value of 0.6701 p/kwh (the 30 day SAP) as the Code specifies for cash-out.

We have looked carefully at the proposal of 11 April, the Modification Report of 18 April, and shippers representations. This proposal has commercial significance for shippers, and there are a number of complex arguments as to the pros and cons of making such a modification. We found the analysis TransCo provided on this proposal weak. We have therefore spent some time undertaking our own internal analysis and review of the proposal based on your report, and the additional information we requested from you during the process.

It has been confirmed in the letter (dated 25 April 1996) from Chris Le Fevre to Dr Marshall that: "We [TransCo] do not believe that Urgent Modification proposal 0017 represents material detrimental effect on any shippers' business, and we think that this is borne out by the shipper responses to this proposal". Following this clarification we are in a position to approve the modification 0017. The Direction is attached.

We are conscious of the fact that the modification process is a continuous learning exercise especially at this early stage of the Network Code. However, in the future for modifications of this significance we would expect the modification proposal and subsequent report and recommendation to contain more analysis, data, and a more comprehensive explanation of the relevant arguments than were provided.

We are aiming to take a decision next week on the outstanding urgent modifications 0014 (Margins and Top-up anomalies), 0019 (Retraction of scheduling charges during March 1996), and the seven shippers modification request.

Please copy this letter and attachment to all Network Code interested parties.

Yours sincerely,

Andrew Salmon

Enc.: Direction

MODIFICATION PROPOSAL

Reference Number: 0017

Transition Document Part II, paragraph 8 -

Add a new paragraph F1.2.1 as follows:

"F1.2.1 During March 1996 the System Marginal Buy Price, the System Marginal Sell Price and the System Average Price on each Day shall be 0.6701 p/kWh. (20 p/therm) and accordingly F1.2.2 shall not be deemed to apply during March 1996 so as to produce different prices."

Transition Document Part III -

Add the following at the end of section S1.4.2:

"Provided that the expected date for submission of the first reconciliation invoice is 7th May 1996 (rather than the 18th Business Day above). This shall not be deemed to be a change or delay for the purposes of sections S1.4.2, S1.4.3, and S4.2.6".

DIRECTOR GENERAL OF GAS SUPPLY RESPONSE

In accordance with Condition 7(10)(b) of the Standard Conditions of Gas Transporters' Licences, dated 21 February 1996, I hereby direct British Gas TransCo that the above modification proposal 0017 be made as modifications to the Network Code:

Signed for and on behalf of the Director General of Gas Supply

Signature: *Eileen Marshall*

Name: Dr Eileen Marshall

Position: Director - Regulation and Business Affairs Directorate

Date 25 April 1996