

Modification Report
Modification Reference Number - 0022
VLDMC Exit Point Flexibility Bids

This modification report is made pursuant to Rule 8.12 of the Modification Rules and follows the format required under Rule 8.12.4.

1. The Modification Proposal:

This modification will raise the number of outstanding System Exit Buys or System Exit Sells for any Day from one in four, in respect of VLDMC Flexibility Eligible System Exit Points from 1st July 1996.

2. Text provided pursuant to Rule 8.14:

Principal Document

Amend Section D2.3.4 as follows:

- (1) Replace "one Flexibility Bid" in lines 1 and 2 by "the relevant number of Flexibility Bids";
- (2) Insert at the end of the Section:

",where the relevant number is four in the case of a VLDMC Supply Point Component and one in the case of any other Flexibility Eligible System Exit Point".

3. TransCo's opinion:

This modification would improve the liquidity of the flexibility mechanism and better reflects the degree of flexibility available at these system points.

4. Extent to which the modification would better facilitate the relevant objectives:

System balancing is aided by allowing additional bids on the Flexibility Mechanism, thus increasing the number of operational options and process variations.

5. The implications for TransCo of implementing the Modification Proposal, including:

a) implications for the operation of System and any BG Storage Facility:

None

b) development and capital cost and operating cost implications

None

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;

It is not TransCo's intention to recover any costs incurred with respects to this modification.

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

TransCo is not aware if any impacts on price regulation.

6. 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;

TransCo is not aware of any consequences on the level of contractual risks arising from this modification.

7. The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers;

Minor system changes will be needed to ensure that the modification is implemented.

8. The implications of implementing the modification for Relevant Shippers.

Shippers with VLDMC exit points will be able to offer additional flexibility to help system balancing.

9. The implications of implementing of the modification for terminal operators, suppliers, producers and, any Non-Network Code Party;

Power Station Operators may be impacted by the acceptance of further demand side flexibility bids.

10. Consequences on the legislative and regulatory obligations and contractual relationships of TransCo and each Relevant Shipper and Non-Network Code Party (if any), of the implementation of the Modification Proposal;

TransCo has not been informed of any consequences of the legislation and regulatory obligations and contractual relationships of implementing this proposed modification.

11. Analysis of any advantages or disadvantages of the implementation of the Modification Proposal;

This modification will benefit system operations by allowing further VLDMC Flexibility Bids in accordance with Power Station Flexibility.

12. Summary of the representations (to the extent that the importance of those representations are not reflected elsewhere in the modification report):

The modification proposal submitted by ENRON Capital and Trade Resources Limited received support from the HSE and unanimous support from the modification panel, 23rd May 1996.

The subsequent Modification Report received representations from two shippers. Both shippers expressed support for the modification with ENRON favouring immediate implementation. BGT would not support implementation prior to 1st July 1996 in order to ensure that shipper system changes are accommodated.

13. The extent to which the implementation is required to enable TransCo to facilitate compliance with safety or other legislation:

The modification is not required to facilitate compliance with safety or other legislation.

14. Having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement furnished by TransCo under Standard Condition 3(1) of the Licence:

The modification is not required to comply with the above clause.

15. Programme of works required as a consequence of the implementation of the Modification Proposal:

Minor system changes are envisaged prior to implementation.

16. Proposed implementation timetable:

Subject to Shipper representations, it is proposed to implement this modification from 1st July 1996.

17. Recommendation for the implementation of the modification:

It is recommended that this modification is implemented by 1st July 1996.

20. Restrictive Trade Practices Act

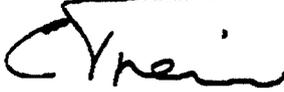
If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

21. TransCo Proposal

This Modification Report contains TransCo's proposal to modify the Network Code which TransCo has already received a direction from the Director General to make in accordance with this report.

Signed for and on behalf of British Gas TransCo.

Signature:



Date: 05/06/96

Name: Chris Train

Position: Energy Balancing Manager

Director General of Gas Supply Response

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

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

Signature:



Date: 12/6/96

Name: ANDREW SALMON

Position: ASSISTANT DIRECTOR, NETWORK OPERATIONS

ANNEX 1

Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall not come into effect:

- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply ("the Director") within 28 days of the date on which the Agreement is made; or
- (ii) if within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph (2)3 of the Schedule to the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996;

provided that if the Director does not approve the Agreement as aforesaid then the following clause shall apply:

Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.

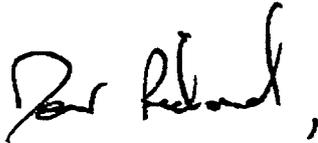
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3 June, 1996

Mr Richard Gray
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RESPONSE ON MODIFICATION PROPOSALS

Proposal 0022 : VLDMC Exit Point Flexibility Bids

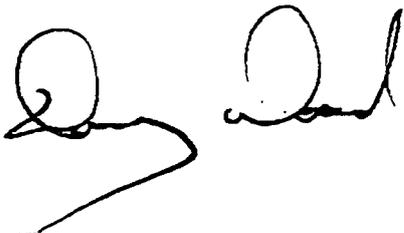
We strongly support the introduction of this proposal as soon as practicable. Recent price volatility in the Flexibility Market indicates a low level of liquidity. Where a barrier to this can be removed, it would seem desirable to achieve this at the earliest possible time.

Some quarters have tried to argue that a mid month introduction may allow unintended gaming opportunities. The proposal merely brings output side flexibility in line with what is already available on the input side. It could be argued that an improvement in liquidity could reduce the overall opportunity for gaming in the system.

TransCo has suggested that there may be some linkage with the Energy Balancing monthly cash-out cycle. We similarly refute this, as flexibility bids are evaluated each day. Already, variable quantities are carried forward into the monthly cash-out, so no additional complications are introduced with this measure.

Accordingly, we request that the modification be introduced immediately.

Yours sincerely,



Douglas B. Wood
Manager, Gas Transportation & Capacity Trading

Enron Power Operations Limited

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Representations on Network Code Modification Proposal 0022From British Gas Trading Limited

British Gas Trading support the introduction of greater flexibility in the Flexibility Market by allowing an increased number of bids from VLDMC for System Exit Buy and Sells.

However, we believe that this area would benefit from a fuller debate of the detailed requirements of TransCo and Shippers rather than accepting a proposal which appears to be decided by current system constraints.

In respect of the implementation date for this Modification we would not support a date earlier than 1st July 1996 to ensure all Shippers are given a reasonable time period to develop their support systems to accommodate this change.

We would welcome TransCo's confirmation that Shippers will see no change to the AT-Link system due to introducing this amendment.

sg/3.6.96