



03 February 1997

Direct Dial: 0171-932-1681

ALL SHIPPERS

Dear Shipper

Modification Proposal 0117: Capacity Booking and Associated Rules for Interconnectors

Ofgas has accepted the above modification proposal as urgent.

The reason for urgency is due to the possible impact on the commercial arrangements both for gas transportation and gas supply at the interconnectors. That is, interconnector shippers have suggested that their transportation and supply contracts are dependant on a resolution of some or all of the issues raised in this modification.

This proposal has several elements covering a number of points which TransCo has suggested would be necessary in order to bring capacity booking arrangements at CSEPs into line with those at other large supply points. Ofgas would particularly welcome views as to whether all the issues covered by this proposal need to be addressed simultaneously or if a narrower modification would be more appropriate.

We note that an element of the modification proposal is related to the allocation arrangements for CSEPs. Allocation agreements are currently being considered by review group 0018 and separately by Ofgas. Therefore, any implications for allocation arrangements at CSEPs as a result of this modification 0117 may well be subject to further change.

Ofgas has agreed with TransCo the following timetable for consideration of this modification:

Close out for written representations:	18 February
Decision date:	24 February

If it is felt appropriate, a meeting to discuss this proposal could be possible before the close out date. If this is the case please contact me. An additional opportunity for verbal representations would also be possible at the modification panel meeting on 20 February.

Yours faithfully

A handwritten signature in cursive script that reads "Peter Lambert".

Peter Lambert

97/02/17/01



Urgent Modification Proposal 117

Capacity Booking and Associated Rules for Interconnectors

Present Position

The Network Code is ambiguous on the rules for capacity booking at interconnectors.

Proposal

Rules that apply to other exit points (e.g. power stations) do not apply to the interconnectors, described as CSEP's (Connected System Exit Points) in this modification.

Some parts of this modification are intended to allow TransCo to treat the interconnectors in a similar way to other exit points. One suggestion by TransCo is to set up allocation arrangements at these exit points. Given the problems that may be the result of the present allocation rules, customers should consider carefully whether they have views on the allocation arrangement being suggested by TransCo in this modification.

The proposal has seven elements:

1. The proposal would prevent TransCo from selling more firm capacity at an interconnector than the amount of physical capacity at that point.
2. The proposal would implement a "book it or lose it" policy for interconnector capacity. This would require that shippers book capacity each year or lose their pre-emption rights over that capacity.
3. It is proposed to give TransCo rights to ask for evidence of a use for capacity from shippers wishing to book capacity.
4. The proposal would allow TransCo to require all shippers at a CSEP to enter into an agency agreement, appointing an agent for nominations and for other communications.
5. TransCo would be able to require all shippers at a CSEP to enter into an ancillary agreement to the Code (subject to Ofgas approval of the agreement).
6. TransCo would be allowed to use meter readings at CSEPs where the meter had not been tested, verified or calibrated and to reconcile those meter reads after the meter has been tested verified or calibrated.
7. TransCo would be allowed to sell interruptible capacity in addition to firm capacity at CSEPs.

Reason for urgency

This modification is being treated as urgent because the current uncertainty about the rules for capacity booking at interconnectors may put investment in the Bacton interconnector at risk. The issue of whether TransCo can oversell firm capacity is also likely to arise at

Moffat as TransCo have sold all of the physical capacity available there and some shippers want to book more.

Possible impact on customers

If this modification were to be accepted, either in full or in part, we would not anticipate any direct impact on customers of any size.

Date for Representations

Representations to Richard Gray, BG TransCo (fax: 0121- 711 1451) by close of play Wednesday 19 February. Ofgas contact - Peter Lambert (tel: 0171-932 1681).