

97104129103



28 April 1997

Direct Dial: 0171-932-1681
Our ref.: PL/118

Dear sir/madam

Re: Modification Proposals 0118

Modification proposal 0118 arose following a recommendation in the Ofgas supply and demand report that Transco consider whether the Top Up manager should be allowed to make storage overruns where storage deliverability is not being fully used.

Transco's proposal is that the Top Up manager should place bids equal to the amount of unbooked storage deliverability on the flexibility mechanism at the highest Top Up price. If these bids were accepted, the Top Up manager would deliver the gas from storage and pay the appropriate overrun charges. These bids would be accepted before Operating Margins gas was used and before emergency firm load shedding.

Ofgas has accepted this proposal. However, we see it as a safety net in the event that deliverability is not being used through some other mechanism. As such we agree with those shippers who have said that a means should be found to make deliverability available to the system through shippers rather than Top Up where possible. The role and pricing of Top Up is being considered through Ofgas' review of the flexibility mechanism.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter Lambert".

Peter Lambert
Regulation and Business Affairs