

97/02/21/04



20 February 1997

Direct Dial: 0171-932-1681

Our Ref :

Your Ref :

ALL SHIPPERS

Dear Shipper

Modification proposal 125: Amendment to SMP Pricing

Ofgas has not accepted modification proposal 125 as urgent. While Ofgas accepts that there are concerns about the imbalance clearing mechanism within the Network Code, Ofgas is of the opinion that these concerns should be addressed as a whole rather than through isolated modifications to the Code.

Moreover, Ofgas is not convinced that this proposal would have a significant impact on shippers who may be "chasing" attractive flexibility cashout prices. Ofgas has begun a review of the operation of the flexibility mechanism in which we expect to consider suggested anomalies such as this one. We expect this review to provide recommendations in early summer.

Yours faithfully

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

Peter Lambert

Regulation and Business Affairs