

Direct Dial: 020 7901 7074

27 December 2000

Transco, Shippers and Other Interested Parties

Your Ref:

Our Ref : Net/Cod/Mod/449

Dear Colleague,

Modification Proposal 0449 Determination of National Top-Up Requirements

Ofgem has considered the request from Transco for modification proposal 0449 to follow urgent procedures.

Modification proposal 0449 proposed *'that the national top-up requirement be calculated with reference to the amounts by which aggregate demand from loads less than 732 MWh /annum, rather than all firm loads as at present, exceeds the maximum daily supply. Constrained top-up requirements would continue to be determined with reference to all firm demand in the relevant areas.'*

The justification for this proposal was that it would reduce the possibility of Transco taking potentially unnecessary top-up actions.

We do not agree that this modification proposal merits urgent status. Ofgem takes into account a number of factors, eg safety or security of supply implications, when considering whether a modification should be granted urgent status. It is our view that modification proposal 0449 does not appear to satisfy any of these criteria to the extent that we should grant this proposal urgent status.

The issue of the level of national top-up requirement is, however, an important one. The same obviously applies to the related question of how such a figure should be calculated. A short consultation period, especially at this particular time of the year, would have run the risk of not allowing the industry the opportunity to consider such an issue in the detailed manner that it merits. This in turn could lead to an inability to identify all the implications of the changes envisaged in Transco's proposal.

Ofgem is of the view that this issue should be considered and debated but not on an urgent basis. Consequently, we look forward to modification proposal 0449 being discussed at the relevant workstream.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

Amrik Bal
Manager, Storage and Interconnectors