

Direct Dial: 020-7901-7431

5 September 2002

Transco, Shippers and Other Interested Parties

Our Ref : Net/Cod/Mod/0581

Dear Colleague,

Modification Proposal 0581 '*Availability of Surrendered Entry Capacity*'

Ofgem has considered the request from British Gas Trading (BGT) for Modification Proposal 0581, '*Availability of Surrendered Entry Capacity*' to follow urgent procedures. We do not agree that this modification merits urgent status.

While not part of Modification Proposal 0559, '*Changes to Buy Back Liabilities*', which provided for capacity neutrality to be recovered on national end of day firm entry capacity holdings, Transco stated in its final modification report that it would use reasonable endeavours to accept zero-priced buy-back offers made prior to 17:00 hours on a gas day, in order to enable shippers to reduce their end of day capacity holdings. However, Transco did not accept any obligations in this respect, but stated that it would 'look to evolve operational procedures to facilitate the economic and efficient operation of the system' and would consider the issues associated with different 'deadlines' within the NT&T workstream and Operational Forum before advising shippers of its policy.

This modification proposal provides for an amendment to the Network Code to require Transco, in situations where it has accepted such zero-priced offers, to continue to assess whether any of this capacity can be re-offered to users, and where it is possible to make this capacity available, to offer it to any shipper at zero cost.

In proposing this modification, BGT argues that it is necessary to ensure that there is no unnecessary withholding of available capacity from the market, which it argues could impact on efficient balancing of the system. BGT further argues that the mechanism whereby Transco will accept capacity surrenders at zero cost will undermine any sales on secondary markets.

Without commenting on the merits of this proposal, we are not satisfied that this proposal satisfies any of our criteria for granting urgency. This proposal should be considered through the normal Network Code modification procedures.

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,

Lyn Camilleri
Senior Manager
New Gas Trading Arrangements