

OFGEM DECISION LETTER No. 0542
"Revised Energy Balancing Incentive Arrangements post April 2002"
Version 1.0

Direct Dial: 020-7901-7437

13 March 2002

Transco, Shippers and Other Interested Parties

Our Ref : Net/Cod/Mod/0542

Dear Colleague,

Modification Proposal 0542: *'Revised Energy Balancing Incentive Arrangements post April 2002'*

Ofgem has considered the request from Transco for Modification Proposal 0542, *'Revised Energy Balancing Incentive Arrangements post April 2002'* to follow urgent procedures. We agree that this modification merits urgent status.

This modification proposal provides for amendments to the Network Code to change the current residual gas balancing incentive arrangements such that they are consistent with the incentive arrangements contained in Ofgem's NTS System Operator (SO) Incentives Final Proposals. In addition, it is proposed to amend the Network Code such that any payments/rewards associated with this incentive will not flow into balancing neutrality.

In raising this proposal Transco has stated that it anticipates revised SO incentives being implemented via Gas Transporter (GT) Licence amendments with effect from 1 April 2002. However, these licence amendments will not be in place before 1 April. Transco has therefore sought urgency status for this proposal to enable the proposed new incentive arrangements to be put into effect from 1 April 2002 through transitional arrangements in the Network Code.

An urgent decision on this process will provide Transco and shippers with certainty on the transitional arrangements for Transco's residual gas balancing incentive and balancing neutrality arrangements that will take effect from 1 April 2002 prior to the commencement of any amendments that may be made to Transco's GT licence following and subject to the proposed licence modification consultation process that is scheduled to commence shortly. On this basis, this modification proposal merits urgent status.

The timetable for the modification proposal to follow urgent status is set out below.

<i>Issued to Ofgem for decision on urgency</i>	<i>13 March 2002</i>
<i>Proposal agreed as urgent</i>	<i>13 March 2002</i>
<i>Proposal issued for consultation</i>	<i>14 March 2002</i>
<i>Close out for representations</i>	<i>20 March 2002</i>
<i>Final report to Ofgem</i>	<i>22 March 2002</i>
<i>Ofgem decision expected</i>	<i>28 March 2002</i>

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number or Lyn Camilleri on 020 7901 7431.

Yours sincerely,

Mark Feather
Head of New Gas Trading Arrangements