

Direct Dial: 0207-901-7437

12 December 2001

Transco, Shippers and Other Interested Parties

Dear Colleague,

Modification Proposal 0509: Tender for Enron's MSEC Holdings.

Ofgem has considered the request from Transco for modification proposal 0509, *'Tender for Enron's MSEC Holdings'* to follow urgent procedures. We agree that this modification merits urgent status.

Modification proposal 0509 was raised in light of recent market events, specifically the termination of User status for two of Enron's shipping companies. With effect from 6am 1st December 2001 Enron Gas and Petrochemicals Trading Ltd and Enron Capital and Trade Resources Limited were terminated as Network Code Users in accordance with Section V4.3.1. As a result Transco has recalled the prospective Monthly System Entry Capacity ('MSEC') previously held by these shippers (except where the capacity has been transferred to another party and provided that party pays Transco for the capacity).

The modification proposal seeks to offer the recalled MSEC for the period January 2002 to March 2002 via an auction process. It is proposed that the auction should occur on a similar basis to that defined under Section B2.3 of the Network Code. Under the proposal Transco would issue an invitation to tender which would ask shippers to bid for the recalled MSEC. The tender process would open on 19 December at 9:00 and the last time by which bids would be accepted is 17:00 on the same day. Under the proposal any secured MSEC holdings will have the same rights and obligations as if it had been secured during the original MSEC auction process.

Ofgem believes this modification proposal merits urgent status to enable Transco to implement a December auction for the sale of the outstanding volume of Enron MSEC for the period January 2002 to March 2002.

Issued to Ofgem for decision on urgency	11 December 2001
Proposal agreed as urgent	12 December 2001
Proposal issued for consultation	12 December 2001
Close out for representations	13 December 2001
Final report to Ofgem	14 December 2001
Ofgem decision expected	17 December 2001

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,

Mark Feather
Head of New Gas Trading Arrangements