

Direct Dial: 020 7901 7431

13 September 2001

UK Transco, Shippers and Other Interested Parties

Your Ref:
Our Ref : Net/Cod/Mod/0492

Dear Colleague,

Modification Proposal 492: Proposal to fix the national LDZ Shrinkage factor from 1 October 2001, pending validation of the 1992 NLT leakage rates

Ofgem have considered the request from British Gas Trading Limited for modification proposal 492, "Proposal to fix the national LDZ Shrinkage factor from 1 October 2001, pending validation of the 1992 NLT leakage rates" to follow urgent procedures. We agree that this modification merits urgent status.

This modification proposal seeks to set the national LDZ shrinkage factor at 1% until Transco carries out an exercise to validate the results of the 1992 National Leakage Test (NLT). This shrinkage factor would be applied from 1 October 2001 and would determine the volumes of gas that Transco would have to procure, on a daily basis, from 1 October 2001 until such time as the validation of the NLT has been satisfactorily performed. The costs of procuring this gas are met by Transco, for which it has an allowed revenue set under the current price control. If the deemed shrinkage factor is below the actual level of shrinkage experienced in the network, shippers supplying NDM meter points are exposed to the cost of this gas.

Therefore, this modification proposal has a commercial impact upon both Transco and shippers. Further, if implemented, the modification would impact upon the volume of gas that Transco should procure on 1 October 2001. For these reasons the modification merits urgency status.

<i>Issued to Ofgem for decision on urgency</i>	12 September 2001
<i>Proposal agreed as urgent</i>	13 September 2001
<i>Proposal issued for consultation</i>	13 September 2001
<i>Close out for representations</i>	20 September 2001
<i>Final report to Ofgem</i>	24 September 2001
<i>Ofgem decision expected</i>	25 September 2001

If you have any queries in relation to the issues raised in this letter, please feel free to contact Chris Hemsley on 020 7901 7340.

Yours sincerely,

Lynette Camilleri
Manager, RGTA