

Direct Dial: 0207-901- 7437

1 August 2001

Transco, Shippers and Other Interested Parties

Dear Colleague

Modification Proposal 0483: MSEC Auction Quantity Revision and Capacity Incentive Adjustment

Ofgem has considered the request from Transco for modification proposal 0483, '*MSEC Auction Quantity Revision and Capacity Incentive Adjustment*' to follow urgent procedures. We agree that this modification merits urgent status.

This modification proposal provides that:

- a. The Determined System Entry Capacity shall continue to equal SND+ 10% with 90% of this quantity being offered in equal sized tranches for rounds 1 to 4 of the MSEC auctions;
- b. The remaining 10% of capacity will be offered in round 5 in addition to any quantities remaining unsold from the preceding auction rounds;
- c. Transco will be able to increase capacity availability at individual ASEPs in round 5 at the St Fergus, Teeside and Barrow terminals subject to the application of a group maximum for these terminals;
- d. Transco's capacity incentive arrangements are to be adjusted to reflect the reduced potential for incremental sales of Daily System Entry Capacity and a potential increase in buy-backs should increased flexibility offered in round five generate an increased level of capacity sales at particular terminals.

The next round of entry capacity auctions are scheduled to commence on 13 August. Of gem has therefore decided that urgent procedures are necessary for Modification proposal 0483 due to the short period of time left until the commencement of the auctions.

Issued to Ofgem for decision on urgency	31 July 2001
Proposal agreed as urgent	31 July 2001
Proposal issued for consultation	01 August 2001
Close out for representations	07 August 2001
Final report to Ofgem	09 August 2001
Ofgem decision expected	10 August 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 RGTA