

**Modification Report**  
**URGENT Modification Reference Number 0358**

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.9.3.

**1. Circumstances Making this Modification Proposal Urgent:**

In accordance with Rule 9.1.2 Ofgem agreed that this Modification Proposal should be treated as urgent. Modification 0314, which has been approved for implementation with effect from 1st October, will replace the current arrangements. The latest time that shippers can register for System Entry Capacity under the current arrangements is four days prior to the gas flow day. If this proposal is implemented, Users may need to register for System Entry Capacity and the last date this can be done is 27th September 1999.

**2. Procedures Followed:**

Transco agreed with Ofgem (and has followed) the following procedures for this Proposal;

Modification agreed as urgent	20th September 1999
Close out for shipper representations	22nd September 1999
Final Modification report to Ofgem	24th September 1999
<i>Ofgem decision expected</i>	<i>27th September 1999</i>

**3. The Modification Proposal:**

The proposal is that, at “non-Rough” storage facilities, the System Entry Capacity registration arrangements in place prior to the approval of modification 0314, be reinstated using the charges published in the Transportation Statement for 1st October 1999 onwards. This would also be the case at any ASEP where no Monthly System Entry Capacity was declared under the provisions of modification 0350.

Any “non-Rough” System Entry Capacity that is registered but un-utilised would continue to be made available by Transco on a “Use-it-or-Lose-it” basis.

The proposal suggests that this would facilitate the incorporation of Hornsea within the proposed trial of THREAD from 1st April 2000 and permit LNG System Entry Points to be reviewed through the LNG review.

**4. Transco's opinion:**

Transco does not believe that this proposal should be implemented. It would introduce two quite different mechanisms for the treatment for the acquisition and management of System Entry Capacity at ASEPs. This could be viewed as unduly discriminatory.

Transco believes that this proposal has been raised because there is no Monthly System Entry Capacity determined for the ASEPs in question. However, this determination is the outcome of the application of a methodology that was approved as modification 0350. The methodology that was developed within the RGTA capacity workstream calculates the aggregate quantity of Monthly System Entry Capacity that will be made available and the allocation of that aggregate quantity between ASEPs. Modification proposal 0350 was issued on 9th August and was accompanied by a table indicating the results of the application of the proposal. It was made clear that the application of the methodology would mean that at some ASEPs no Monthly System Entry Capacity would be made available. The modification was approved by Ofgem on 1st September taking due account of this fact.

Transco does not believe it is appropriate to apply a different regime to an ASEP simply because the results of the application of the agreed methodology results in a zero allocation of Monthly System Entry Capacity. It is quite possible that shippers at other System Entry Points would have preferred that more Monthly System Entry Capacity had been available, but retrospective changes to the regime could precipitate modification proposals that allow for further sales of capacity at other ASEPs. This would undermine the key principle of the new regime that commercial rights should be closely aligned with physical capability.

It must also be noted that the legal text for modification 0314 states that the existing legal text for Section B 2 “System Entry Capacity” will be deleted, making it clear that System Entry Capacity will only be available at ASEPs either as monthly (subject to the methodology), daily or interruptible.

Under the New Gas Trading Arrangements (NGTA) it is unlikely that any Users will have purchased their peak requirements through the auctions of Monthly System Entry Capacity. A feature of the new regime will therefore be the acquisition of further capacity rights on a daily basis, and the regime should not be judged until some experience has been gained by both Transco and Users of operation in this way. In general, the quantities of gas which are delivered from onshore fields and LNG sites are small and have little or no impact on the transportation capability of the System, therefore, it is probable that daily capacity will be available on the majority of days. However, all ASEPs potentially interact with others, for example, Hornsea deliveries can adversely affect the Transportation capability at other east coast ASEPs. It is appropriate that where capacity is limited it is allocated through the mechanisms that allow Users to indicate the value they place on it.

It should be noted that capacity availability is greatest at peak demand level and that whilst not exclusively so, deliveries from storage facilities have historically been on days when demand exceeded the seasonal normal level. Sufficient capacity to meet Users requirements is likely to be available under such “above average” demand conditions.

The overall costs to such Users of such facilities are likely to be lower than at present as capacity need only be booked on days when deliveries are expected as opposed to as an annual tranche.

In respect of THREAD, Transco believes that this proposal merits further discussion. Transco had initially proposed to implement this change as part of modification 0350 but this element was withdrawn as the necessary systems modifications within AT Link could not be achieved within the time available

5. **Extent to which the proposed modification would better facilitate the relevant objectives:**

Transco do not believe that implementation of this proposal will further the objectives.

6. **The implications for Transco of implementing the Modification Proposal, including:**

a) **implications for the operation of the System:**

If this proposal is implemented there will effectively be two commercial regimes for the acquisition of System Entry Capacity. This will create problems for the operation of the System as capacity rights under the NGTA reflect the physical capability of the System to transport gas, whereas rights under the pre-NGTA regime are oversold and not linked to physical capability. Irrespective of the means by which commercial rights are acquired the System capability remains unchanged and the sale of commercial rights under the pre- NGTA regime will undermine the firm rights sold under the NGTA regime. where Users exercise those commercial rights this could lead to unmanageable constraints.

b) **development and capital cost and operating cost implications:**

The introduction of NGTA arrangements has necessitated significant development of systems, both to facilitate the new regime and also to decommission the redundant entry capacity registration and invoicing functionality within AT Link. The systems structure does not support the simultaneous registration of entry capacity within AT Link and the new application. If this proposal is implemented then it may be necessary to withdraw the NGTA systems until the necessary developments can be made to support two regimes in parallel.

c) **extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:**

Further development of the systems will be required to implement this proposal. The costs associated with such development will be in addition to the significant amounts already invested by Transco for the NGTA process.

d) **analysis of the consequences (if any) this proposal would have on price regulation:**

There are no known consequences.

7. **The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal:**

This proposal would make additional unlimited commercial rights available at a number of ASEPs. This would be in addition to the finite “firm” capacity rights recently sold and would, in aggregate, break the link between the physical capability of the System and the commercial regime which was viewed as essential feature of the NGTA. This will increase the risk that Transco is unable to make physical capacity available which matches the registered commercial rights and increase Transco’s exposure under the liability regime.

8. **The development implications and other implications for computer systems of Transco and related computer systems of Users:**

Transco has invested heavily in the development of new computer systems to facilitate the NGTA. The development of these systems, for long term and daily sales, constraint management, overruns and invoicing, was based on a consistent regime for all ASEPs. The system as developed is not capable of supporting two regimes in parallel and significant work would be required to facilitate this.

9. **The implications of implementing the Modification Proposal for Users:**

Users will be able to purchase System Entry Capacity on a longer term basis at ASEPs where no Monthly System Entry Capacity was made available under the provisions approved in Modification 0350. Users who have purchased Monthly System Entry Capacity under the NGTA regime may face an increased risk that their entitlements will be reduced as the (unlimited) entitlements held at ‘non-Rough’ storage sites may share common constraints.

10. **The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Storage Operators suppliers, producers and, any Non-Network Code Party:**

Storage Operators will benefit from the fact that Users will be able to buy System Entry Capacity to a level which matches the peak flow requirements of the relevant storage contracts. Producers may be concerned that System Entry Capacity is more readily available at such ASEPs than it is at Beach Terminals. The existence of firm entitlements at non-Rough ASEPs may limit the availability of daily firm capacity at other ASEPs and may potentially result in a reduced availability of beach gas.

11. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal:**

The application of a different methodology between ASEPs may be considered as undue discrimination.

12. **Analysis of any advantages or disadvantages of the implementation of the Modification Proposal:**

Advantages:

If implemented, this proposal would enable Users of storage facilities to book, in advance, System Entry Capacity which matches their peak deliverability.

Disadvantages:

This proposal would allow Users of some ASEPs unlimited access to System Entry Capacity in comparison to other ASEPs where Users have to bid for a finite quantity. This could be viewed as discriminatory treatment.

At some ASEPs commercial rights would be “firm” and linked to physical capability whereas at others, rights would be oversold and not firm. This may undermine the concept of firm capacity which is a fundamental objective of the NGTA.

This potential increase in aggregate capacity rights would impact upon Transco’s constraint management costs under the incentive regime and would shift the balance of risk upon which the incentive regime was designed and agreed. To overcome this it may be necessary to exclude some ASEPs from the incentive regime. This would require either the development of an alternative regime, which would add complexity, or to remove the incentive mechanism in relation to such ASEPs.

If implemented Transco would be required to reinstate historic invoicing processes both in respect of capacity billing and overruns, and shippers would receive different invoice types for different ASEPs.

13. **Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report):**

There were 16 representations submitted in response to this proposal. Respondents were; Aquila Energy (AE), BG Storage (BGS), BG Trading (BGT), BP Gas (BP), Dynegy (Dyn), Eastern Power and Energy Trading Ltd (EPETL), Elf Gas and Power Ltd (EGP), Enron, The Gas Light and Coke Company (GLC), Mobil Gas Marketing, (MGM), National Power (NP), Powergen (Po), Scottish Power (SP), Scottish and Southern Energy (SSE), Total Gas Marketing Ltd (TGM) and the proposer, Yorkshire Energy (YE).

The proposal is supported by 7 respondents

The proposal is not supported by 9 respondents

Within those who do not support there are 3 who express support for the intention although they could not support the proposal in its current form.

The issues raised in representations are considered below under the following headings;

- Process
- Security of Supply

Discrimination between Users and facilities  
Existing booking regime  
Linkage to Modification 0359  
Value of Storage bookings  
Value of Monthly System Entry Capacity Bookings  
Availability of daily capacity services

### Process

YE claim that “throughout RGTA business rule development there was the clear understanding that entry capacity for ASEPs where capacity was not auctioned on a monthly basis would continue to be sold on an annual block basis”. Transco finds this claim disingenuous in extreme. AE also state that shippers bid for storage services on the basis that the entry capacity would either become a long term firm or remain as annual booking. The RGTA Capacity Business Rules Version 2.0 published to all parties in March 1999 clearly stated that the only entry capacity classes would be monthly, daily firm or daily interruptible. The rules also outlined the methodology by which the amount of Monthly capacity would be determined against an SND demand level.

The methodology by which Monthly System Entry Capacity is determined was presented in detailed form for discussion on 8th July 1999. The paper circulated showed the potential amount of entry capacity that would be allocated to each ASEP by the application of the methodology. It was made clear that the application of a methodology based on an SND demand level would result in a zero allocation at onshore storage sites. Shippers were invited to respond to Transco on the proposal.

Modification proposal 0350 was issued for shipper representations on 9th August. A table was issued to accompany the proposal illustrating the allocations that would result from application of the methodology. In response to representations received the methodology was adjusted slightly but there was no requirement to modify the mechanism to ‘force’ an allocation to on-shore storage sites. EGP notes that holders of non-Rough storage had ample opportunity to raise their concerns during the consultation process. Ofgem approved modification 0350 on 1st September.

NP states that while it is sympathetic to those shippers who have contracted for storage at Hornsea, it is not convinced that the answer is simply to allow such ASEPs to operate under a ‘pre-Mod 350 regime’.

Dyn argues that a less than perfect solution should not be patched up with another imperfect solution which has been rushed through with even greater haste. EGP are concerned that such hasty modifications are in themselves likely to lead to further modifications. Enron states that Modifications 314 and 350 were discussed extensively during the RGTA process and that this issue was not raised as a priority. It appears as dubious to Enron that this proposal was only released after the conclusion of the capacity auctions.

Transco finds it surprising that YE has chosen not to respond on this issue through the recognised modification process that was presented for modifications 0314 and 0350 but has instead issued a hasty and ill-considered urgent proposal that does not address

the difficulties identified and that would create many inconsistencies in the NGTA regime. A hurried consultation on such a fundamental change to the regime provides insufficient opportunity for Users to properly consider the consequences of implementation.

#### Security of supply

YE argues that this modification is essential to enable companies to comply with their Supplier Licence obligations to meet a 1:20 peak demand. It goes on to argue “that system security may be seriously jeopardised.” SP also argues that shippers supply licence obligations may now be compromised. GLC argues that deliberately withholding capacity undermines Transco’s safety case.

BGT rejects the assertions made in the proposal and believes that the issues raised are commercial and not safety related. It argues that even if shippers have been unable to acquire capacity rights, if the system has physical capability to accept gas from the facilities, the overrun regime will permit shippers to deliver gas. The implementation of Modification 357 removes that risk of unpredictably high overrun charges. EGP are disturbed that the proposers simply desire to insulate themselves from any price risk.

Dynegy speculates that the motive for the proposal is that YE are concerned that Transco will offer less firm capacity (on the day ahead basis) for Hornsea than it has done previously. Dynegy states that if this does occur then this would represent a change to Transco’s safety case and it would under such circumstances support a modification to address this.

Transco does not consider that the arrangements that will be implemented on 1st October will lead to a reduction in security of supply. Transco considers that there will be adequate availability of system entry capacity to meet requirements.

#### Discrimination

GLC argues that the NGTA regime is an abuse of dominant position. Po argues that this proposal should be extended to all entry points, i.e. Burton Point. SSE states that in its response to Modification 0314 it asked for clarification that shippers with Rough or Hornsea storage would be allocated capacity in accordance with their storage bookings. Transco clarified that all ASEPs would be determined under the methodology described. It would constitute an undue discrimination to preferentially allocate capacity to some Users simply on the basis of their contractual arrangements with a BG plc company. Users at beach ASEPs might equally claim that their offshore purchase contracts should entitle them to an automatic capacity allocation.

SP identifies that the capacity determination methodology “favours Rough in comparison to short duration type facilities i.e. Hornsea and Hatfield Moor.” SP goes on to state that it believes a case could be presented showing Transco have structured a regime which discriminates against its own facility at Hatfield Moor and that if discrimination were proven then Transco could be shown to be in breach of its PGT licence conditions.

Transco rejects the assertion that Rough storage is favoured over other storage sites. It is entry capacity at the Easington ASEP that has been made available through the monthly capacity auctions. It does not necessarily follow that Users of Rough storage have been successful in obtaining entry capacity entitlements. Transco has no intention of operating in a way that is in breach of either its Gas Act or PGT Licence obligations. Moreover, Transco would be surprised if Ofgem had not considered this issue prior to approving Modifications 0314 and 0350.

SSE recognises that implementation of this proposal would discriminate against holders of Rough who have participated in the recent capacity auctions if holders of non-Rough storage are now granted preferential treatment. SSE suggests that a less discriminatory option would be to allocate capacity according to the proposal but to uplift the LRMC price in line with that seen at Easington.

EGP and Enron state that implementation of this proposal will result in two very different capacity regimes. The proposal is not justified in terms of achievement of the relevant objectives as it is not economic or efficient and not only undermines the objectives of Modification 0314 but raises further issues of discrimination. For example the interaction of the two regimes in times of constraints and interruption alongside Transco incentives is not clear.

It was recognised that the absence of a monthly capacity auction at some ASEPs would lead to a situation where there was not a market derived price that could be used for subsequent processes. For this reason a different pricing structure was implemented. Enron views that this package may compensate for the lack of an advance auction where appropriate

Transco believes that an agreed methodology has been applied to determine Monthly System Entry Capacity for all ASEPs and that there is no discrimination. In addition the structure of the daily service mechanisms and the operation of the incentive will provide daily entry capacity services on a non-discriminatory basis.

#### Existing booking regime

YE observes that entry bookings via AT-Link are still being accepted and note a Hornsea booking recently made to 30/9/2000. The Transition provisions of Modification 0314 make it clear that all entry capacity held pursuant to any provision in force before implementation of the modification shall be cancelled from 1st October. Therefore the booking is of no effect and is irrelevant to the argument of this proposal.

#### Linkage to modification 0359

EPETL points out that if this proposal is implemented then it sees no requirement to implement proposal 0359 as there will be holders on Monthly capacity. SSE points out that representations on proposal 0359 should be resubmitted once direction on this proposal have been made.

Transco believes that the claim that proposal 0359 and 0358 are mutually exclusive is specious. Even if Monthly System Entry capacity was made available at every ASEP the situation may still arise that there are no registered holders. The provisions of

modification 0359 would be required in this case to define the revenue share mechanism.

#### Value of storage bookings

MGM supports the proposal and states that moving to a day-ahead auction for firm capacity changes the nature of the storage services. It argues that unless this proposal is implemented there may be discrimination against holders of firm withdrawal rights in favour of shippers with interruptible gas in store who acquire firm entry capacity in the day ahead auction. YE also states this argument.

Transco believes that unless there is an unlimited amount of capacity available then there is a requirement to allocate it between Users. Holders of firm and interruptible storage delivery rights have equal opportunity to access entry capacity services. Indeed the NGTA regime is far superior to that which it replaces in that Users are able to indicate their requirement and allocation is made on this basis. If, as is postulated, interruptible storage deliverability holders attempt to 'constrain off' firm holders through the acquisition of firm entry rights, then the use-it-or-lose-it provisions would apply and additional interruptible entry capacity would be available.

BGT recognises that the new capacity regime may alter the value of Hornsea storage relative to that of Rough. It recognises that the cost of withdrawals from Hornsea, at short notice, may be less certain due to the dependence on daily firm or interruptible entry capacity. It could be argued that whilst unit prices may be higher, the overall costs may be lower as users of Hornsea will be able to optimise withdrawals using interruptible capacity with no requirement to buy either monthly or daily firm capacity.

#### Value of Monthly System Entry Capacity bookings

BGT is concerned that the values derived in the recent capacity auctions should not be undermined. Shippers entered into the auction process in the knowledge that only Rough storage entry capacity would be available through Easington and the derived value is a function of this fact. A fundamental change to both the process and cost of acquiring non-Rough storage entry capacity will undermine this derived value and is in BGT's opinion, unfair and discriminatory.

BP opposes the proposal as it believes that the value of capacity at non-Rough entry points should be set by the market on a daily auction basis rather than by Transco on an annual basis.

Dyn argues that there is no reason why those who wish to buy firm entry capacity should be forced to buy an annual tranche. Implementing the proposal and reverting to the pre-NGTA regime will re-create the allocation problems that RGTA set out to eliminate.

NP is unsure of the impact that this proposal would have on capacity made available at each ASEP (particularly Easington) under the recent auctions.

Transco shares the concerns that the release of non-Rough capacity through the pre-NGTA mechanisms of annual tranches at fixed prices would potentially undermine the market derived values that have been established.

Availability of daily capacity services

EPETL feels that it is important that shippers are able to book entry capacity at non-Rough storage facilities. It states that it is highly unsatisfactory that Shippers should have to wait until D-1 before being able to purchase capacity at these entry points.

SP argues that users of Hornsea and Hatfield Moor will only be able to obtain firm capacity in two circumstances:

- i) Gas demand is in excess of SND
- ii) User bids for Hornsea / Hatfield Moor daily firm capacity exceed the offers made to surrender Easington/Theddlethorpe capacity.

Transco does not believe that additional ASEP capacity will only be available when demand conditions are in excess of SND. At SND demand levels and even below SND demand levels the potential exists to distribute the available capacity between ASEPs according to a different pattern to that used to establish the base SND allocation. Unless there is a constraint affecting the Easington / Theddlethorpe / Hornsea / Hatfield Moor area, users of Hornsea and Hatfield Moor will not be competing with the beach ASEPs for daily capacity. Up to the level at which a constraint will affect one of the ASEPs, all may be considered as independent. En notes that shippers at non-Rough storage facilities face the same uncertainties over the availability and price of daily capacity as shippers at every other terminal and that Ofgem has taken the view that these risks are adequately addressed through the Transco incentive mechanism.

The methodology established under modification 0350 allocates Monthly System Entry Capacity on the basis of anticipated requirements to meet Seasonal Normal Demand conditions. The usage of storage is closely linked to demand conditions which are greater than seasonal normal and these conditions will only be identifiable shortly before the gas day. Analysis of gas supplies shows that at some ASEPs there is a requirement for entry capacity on every or nearly every day of the year. This is not the case for storage sites and particularly not so for short duration storage types. It would seem wholly inappropriate that long term capacity is allocated to such occasional use sites and thereby denied to others where there is a genuine need for capacity every day.

Transco considers the assertion made by BG Storage that “NGTA rules ensure that daily firm capacity will not always be made available in the quantities required or at the entry points required” surprising. YE and SP also assert that “Transco will not offer daily capacity where there is a likelihood of scale back occurring.” There may be occasions when Users’ desires to deliver gas at an ASEP exceed the physical capability of the network at that point. In this case a physical constraint will occur and it is entirely appropriate that Transco does not allocate firm rights to a level which cannot be achieved. It was a key objective of the RGTA to establish Firm Capacity rights.

GLC states that “Ofgem must require Transco to make all capacity available to the market on reasonable commercial terms.”

It is Ofgem’s clearly stated aim to deliver a regime that allocates a finite amount of capacity through a market mechanism to those who most value the capacity. It is the understanding of Transco that the incentive mechanism will provide a regime where it is incentivised to maximise the availability of firm entry capacity at an entry point and allocate it in accordance with the valuation that shippers place on that capacity. Only where there is a physical constraint will entitlements be restricted. In addition to daily firm entry capacity there will be an enhanced availability of interruptible capacity.

BGS argues that the issues raised in this proposal may be remedied and proposes that Transco should be obliged to make interruptible capacity available up to a level equivalent with the maximum quantity of gas that could flow at that point. Transco indicated in Modification Report 0314 that it intended to ‘modestly oversell’ interruptible capacity entitlements beyond the system capability to facilitate maximum utilisation of the available system capability. Therefore, Transco believes that the NGTA regime provides mechanisms that both maximise the availability of capacity and also make that capacity available on a transparent commercial basis.

### **Transco Response:**

Transco cannot support this proposal as its implementation will undermine the fundamental principles that have been agreed through the RGTA. The re-introduction of the pre-NGTA arrangements for non-Rough storage users will deliver clear undue discrimination through the creation of a preferential service for those Users.

Transco does not accept the argument that the NGTA will lead to a reduction in security of supply. Transco believes that the new arrangements facilitate greater access to capacity services and provide greater certainty of service and that this will enhance shippers’ ability to deliver gas to the system and to consumers.

Transco believes that the success of the NGTA regime should not be pre-judged and that the appropriate action is to carefully observe the operation of the new arrangements and conduct a considered review in the light of experience. Transco recognises that the methodology that has been implemented cannot meet the aspirations of all Users. However, the mechanism chosen was the only one that could deliver an allocation which closely approximated to Users requirements with the appropriate degree of transparency. Transco acknowledges the points made in the Ofgem decision document of 1st September and has indicated that it will seek to improve the process if appropriate in the light of experience before its next application.

Transco believes that the arrangements that will be implemented on 1st October provide adequate access to properly defined capacity services for all Users. Moreover, the services will be made available through commercial mechanisms that allocate according to market signals. These were the key objective for the RGTA.

14. **The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation:**

Not applicable

15. **The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence:**

Not applicable

16. **Programme of works required as a consequence of implementing the Modification Proposal:**

Transco recommends that this proposal is not implemented and no programme of works is required

17. **Proposed implementation timetable (inc. timetable for any necessary information systems changes):**

Transco recommends that this proposal is not implemented and no timetable is required

18. **Recommendation concerning implementation of the Modification Proposal:**

Transco recommends that this proposal is not implemented and seeks agreements from the Director General in accordance with this recommendation.

19. **Transco's Proposal:**

This Modification Report contains Transco's proposal not to modify the Network Code and Transco now seeks agreement from the Director General in accordance with this report.

Signed for and on behalf of Transco.

Signature:

**Brian Withington**  
**Director RGTA**

Date:

**Director General of Gas Supply Response:**

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0358**, version **1.0** dated **24/09/1999**) be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:

**Director of Trading Arrangements**

Date:

The Network Code is hereby modified, with effect from \_\_\_\_\_, in accordance with the proposal as set out in this Modification Report, version **1.0**.

Signature:

**Process Manager - Network Code**  
**Transco**

Date:

**ANNEX**

**Restrictive Trade Practices Act - Suspense Clause**

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

**1. Suspense Clause:**

1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:

(i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") within 28 days of the date on which the Agreement is made; or

(ii) if, within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement