



01 May 1998

Mr Mike Piggin  
Transco  
Service Development  
31 Homer Road  
Solihull  
West Midlands  
B91 3LT

Direct Dial: 0171-932-1645  
Our Ref : 231\_3004.DOC  
Your Ref :

98/05/01/05

Dear Mr Piggin

**Proposed Modification "Recovery of SMP costs due to AQ 97 review process"**

Ofgas does not believe that the above modification proposed by Quantum Energy Distribution Ltd merits urgent status. However, we believe that the proposal raises issues that require some detailed consideration. We therefore suggest that this modification is discussed at the next energy workstream on 14<sup>th</sup> May with a view to the workstream presenting their preliminary view to the May modification panel. Ofgas would then expect the workstream to present a final view on the way forward at the July panel.

Ofgas' view on the subject matter of this modification will be outlined in our forthcoming paper "Modification 197 - Recovery of Extraordinary Costs Incurred Due to Erroneous AQs". We hope to release this on Tuesday 5<sup>th</sup> May.

If you wish to discuss any aspect of this letter please contact me on the above telephone number, alternatively, please contact Tahir Majid on 0171 932 1669.

Yours sincerely

**Marianne O'Leary**  
Assistant Manager, Energy Balancing

cc All shippers  
Richard Gray