



Urgent Modification Proposal 0247 & 0247a

Alignment of Capacity and Flexibility Overrun Charges

6th August 1998

Present Position

To bring gas into the Transco pipeline system, shippers must book capacity to the levels that they wish to flow gas. Capacity is booked with Transco in twelve month tranches. Where a shipper flows more gas than their booked capacity, the shipper is liable to pay an overrun charge, the Entry Overrun. Overrun charges are calculated as a multiple of the cost of the twelve month capacity booking charge.

Where the shipper flows gas through the Flexibility Mechanism (a transaction between a shipper and Transco) a lower multiplier is applied for this overrun, the Flexibility Overrun. As a result of this, more gas is likely to be channelled through the Flexibility Mechanism rather than being traded to enable other shippers to balance for themselves.

Proposal

Enron proposes under Modification 0247 that there should be an elimination of the distinction between capacity and flexibility overrun charges, treating them as one and the same charge. This proposal would also pave the way for a single market that can be used by shippers trading with each other as well as with Transco. Enron seeks immediate implementation of this modification.

The level of overruns is being determined through Urgent Modification Proposal 0244.

Under alternative Modification 0247a, Transco propose exactly the same modification as Enron. Transco's target date for implementation is 1st October 1998.

Possible Impact on Customers

Any change in shipper costs may ultimately be passed onto customers, but there is no direct impact.

Further Information

Please send any representations to Richard Gray (Transco) by 21st August 1998.
Fax: 0121-711 1451.

The Ofgas contact is Tahir Majid - Tel: 0171 932 1669
The Transco contact is Mark Ripley - Tel: 0121 623 2424
The Enron contact is Doug Wood - Tel: 0171 316 5391