

99/03/08/03



04 March 1999

Direct Dial: 0171-932-1656

Our Ref : CMS/MOD/24

Mr Julian Majdanski
Network Code Development
First Floor South
31 Homer Road
Solihull
West Midlands B91 3LT

Dear Mr Majdanski

MODIFICATION 304 - 'LOW COST OVERRUNS FOR LNG'

I refer to Transco's final modification report for modification 304, which you sent to Ofgas on 2 February. As well as considering whether the proposed modification facilitates Transco's relevant objectives, Ofgas has been considering whether or not the changes proposed by Transco constitute a change to its charging statement or to its charging methodology.

We believe that, while the modification in itself has considerable merit, certainly when introduced with adequate notice, the modification would require changes to Transco's charging methodology. Ofgas considers that introducing these proposals would therefore require Transco to follow the procedures set out in standard condition 4 of BG plc's PGT licence. In view of this, we do not consider that we can accept modification 304 at this time. We expect that Transco will bring forward a consultation document, pursuant to standard condition 4 of BG plc's licence, covering all the changes proposed in modification 304.

I have written separately to Tim Davis setting out in detail Ofgas' reasons for arriving at this decision, and have copied that letter to you.

Yours sincerely

A handwritten signature in cursive script that reads "Andy MacFaul".

pp

Sean Aldridge
Head of Network Operations