

Final Modification Report
Modification Reference Number 0305

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal:

Removal of the requirement to match input and output renominations for a trial period of one calendar month. Shippers would be able to renominate at will to inform Transco of changes to their supplies or demands.

The rationale for including a requirement to match input and output renominations within the Network Code was to encourage Shippers to maintain their balance / imbalance position, as set up ahead of the day, and thereby minimise the corrective balancing action required by Transco. This was aimed at inhibiting gaming by facilitating a limited form of cost targeting, where information resolution was insufficient to target costs directly at those Shippers causing balancing actions.

The industry is considering the introduction of an On-the-day Commodity Market (OCM) by October 1999. To facilitate this market it is widely believed that the current matching renominations rules need to be removed. Removing the matching requirement, thus allowing Shippers to change their imbalance position within day, could result in Shippers achieving a better balanced position, thus reducing Transco's balancing role. It is also possible for the relaxation of the matching renomination rules to result in an increase in Transco balancing actions. As a prudent precautionary measure, it has therefore been suggested that the industry operates the System under a revised renominations regime for one month prior to the introduction of the OCM and assesses the impacts fully. In this way, any changes identified by the trial can be made before the introduction of the OCM.

This Proposal was circulated for consultation in conjunction with Modification Proposal 0245/0245a, Remove Barriers to On the Day Trading, in accordance with the decision of the Modification Panel.

2. Transco's opinion:

Transco supports the removal of the matched renomination rule for a trial period subject to the provisions detailed in this Modification Report.

3. Extent to which the proposed Modification would better facilitate the relevant objectives:

The purpose of the Modification Proposal is to verify whether the removal of the matched renomination rules would better achieve the "relevant objectives", namely Condition 7a - "*the efficient and economic operation by the licensee of its pipe-line system*" and 7c "*the securing of effective competition between relevant Shippers and between relevant suppliers*", by:

- Facilitating the provision of real-time information from Shippers to Transco via AT Link renominations, by permitting Shippers to make non-matching renominations within day;
- Aligning Daily Flow Notifications (DFNs) more closely with AT Link Nominations;
- Enhancing Transco's ability to make appropriate operational decisions, thus reducing the likelihood of unnecessary System balancing action being taken by Transco and hence smeared costs;
- Improving individual Shipper risk management and reducing the associated costs of individual Shipper balancing by enhancing the ability to trade at the National Balancing Point (NBP);
- Reducing Shippers' risk of incurring unnecessary scheduling charges due to the inability to renominate on the basis of changes in portfolio position within day;
- Facilitating the development of a liquid, within day, gas commodity market;
- Establishing whether a permanent change to the Network Code is required; and
- Demonstrating whether the relaxation of the matching renomination rules has meant that Transco has taken inefficient balancing action decisions during the trial and that System balancing costs have increased.

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

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

Operation of the System should improve with better information and greater Shipper ability to balance but there is a possibility of commercial behaviour requiring opposing action by Transco. Any degradation in nominations accuracy or timing could have significant operational implications in the following areas:

- Use it or Lose it - The 17:00 Day ahead nominations are used to scale back the initial allocation of secondary capacity. If the nominations are inaccurate then the scaling back process will be inaccurate.
- Non-Daily Metered (NDM) forecasting - Inaccuracy in the Daily Metered (DM) nominations will impact Transco's forecasting of NDM demand.
- Operational Scheduling process - Any degradation in the 17:00 Day ahead nominations will result in the scheduling process being devalued.
- Assessment of balancing actions - Following NDM updates, Shippers are currently allowed one hour to respond via renominations. In a regime where Shippers are free to renominate at any time, Shippers may elect to delay their response, which will impact on the assessment of any balancing actions required. This could result in unnecessary balancing actions.

Therefore, if information degrades, Transco's operational System balancing role is made more difficult. If there is a risk to System security, Transco would expect to suspend the trial.

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

No development or capital costs are envisaged as a result of this Proposal.

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 to 'b' above, Transco does not envisage having to recover such costs.

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

No price regulation consequences are anticipated.

5. **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:**

Transco will remain revenue neutral during the trial and it is not considered that this Proposal will affect the level of contractual risk to Transco under the Network Code.

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

There will not be a systems impact as a result of this Proposal as the matching requirement is manually checked by Transco's Commercial Operations team. Transco has not been informed of any impact on the systems of Users.

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

Shippers will be able to reflect in their commercial nominations any changes in their entry and exit provisions within day without having to match changes in one aspect with the other. As a result, Shippers will be better able to provide Transco with improved real-time information regarding their true portfolio balance position within day, thereby further facilitating compliance with their licence condition 2 (3) "*The licensee shall not knowingly or recklessly give a false impression to a relevant transporter as to the amount of gas to be deliveredor as to the amount of gas to be comprised in its offtakes of gas therefrom on that day.*"

It is anticipated that the Modification Proposal will facilitate further development of the gas trading markets, thus enabling Shippers to use these markets more effectively to achieve portfolio balance. This, in turn, would reduce Transco's role as System Balancer and likewise System balancing costs. To the extent that this is achieved, it is possible that the Modification Proposal will reduce the amount of smeared charges.

However, the ability, provided by the Modification Proposal, for a User to adjust their imbalance position during the gas day may result in an increase in the number and

size of national supply/demand balancing actions by Transco, untargeted costs and smeared charges.

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

The Modification Proposal may lead to more frequent changes to Delivery Flow Notifications (DFNs), Offtake Profile Notices (OPNs) and physical flows, thus having a potential effect on all the above parties.

9. **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:**

Transco is unaware of any impact of the Modification Proposal on the legislative or regulatory obligations of Transco other than, in Transco's opinion, safety requirements provide that the trial must be of a finite duration followed by full evaluation so that the risks to System security can be properly evaluated.

It should be borne in mind that there could be an impact on certain default allocation processes within some contracts.

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

Potential advantages:

- Better information provision.
- Improved Shipper balancing.
- Reduction in overall System balancing costs.
- Increased liquidity in traded gas markets.

Potential disadvantages:

- Increased operational uncertainty / risk.
- Risk of increased overall System balancing costs.
- Increased number of Transco balancing actions.
- Opportunity created for Shippers to avoid some of the costs they generate.
- Reduction in the quality of information provided.
- Reduction in System operational efficiency.

Parameters of a successful trial:

- Initial nominations and renominations continue to be received and prove to be more representative of actual flow patterns.
- Volume of Over-The-Counter (OTC) trades at the NBP increases.

- Number and size of flexibility / balancing actions do not increase significantly.
- Comparison of DFN, OPN, Shipper nominations and actual flows show improved correlation.
- Total System balancing costs reduce.
- Risk assessment confirms no degradation in System security.

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

Representations have been received from United Gas, Scottish and Southern Energy, Southern Electric Gas, National Power, Alliance Gas, British Gas Trading (BGT), Enron, Dynegy, BP Gas, Shell UK, Total Gas Marketing (TGM) and Yorkshire Energy. All except three respondents support implementation of Modification Proposal 0305. Enron and Dynegy expressed a preference for implementation of Modification Proposal 0245 rather than 0305. Yorkshire Energy are opposed to the implementation of both Proposals 0305 and 0245, and make an alternative suggestion. The table below gives a breakdown of the main points raised.

Item of representation.	Support	Reject
Proposal 0305	10	2
Proposal 0245	2	10
Start date of 15th March	4	2 (sooner)
Trial to be restricted to 1 month	4	1 (open ended)
Unmatched renominations will increase liquidity in OCM	4	
Concern over gaming leading to high costs	5	
Greater definition of parameters to be measured	2	
Inclusion of suspension criteria in legal drafting	1	
Call to suspend if balancing costs increase significantly	3	
Will result in better information provision	6	1

Breakdown of representations and Transco's response.

i. **Suspension of the trial.** National Power, Alliance Gas and United Gas Services, ask for either Ofgas or Transco to suspend the trial if balancing costs begin to increase significantly. Alliance Gas advocates the provision of a contingency to enable the trial to be suspended in the event that any major disadvantage becomes evident. BGT further suggests that the legal text includes provisions covering what action would be taken in the event that Transco needed to suspend the trial and, in any event, Ofgas should review the reason for the suspension and whether or not the trial should be re-commenced at a later date.

Response: Transco believes that it would be difficult to establish with certainty the proportion of any increase in balancing costs during the trial that might be attributable

to the relaxation of the renomination rules. System balancing costs are influenced by a number of factors including the day ahead and within day supply and demand match, the prices of gas available, the size of the residual balancing role left to Transco, the size of Shipper imbalances (particularly in respect of that proportion outside of tolerances in the SMP cashout zones) and the accuracy of Shipper scheduling. Therefore, any increase in costs during the trial could be the result of other factors rather than the introduction of unmatched renominations. As such, and reflecting that System balancing costs are borne by the shipping community, Transco considers that any action to suspend the trial on balancing costs grounds should be taken by Shippers raising an urgent Modification Proposal and not by Transco or Ofgas. To facilitate Shipper assessment of ongoing System balancing costs, Transco will continue to publish the Buy and Sell actions and resultant costs / credits each day during the trial.

Should events conspire to generate a situation where Transco believed that either safety or operational balance were in jeopardy, Transco would issue a notice of suspension of the trial via the Active Notification System and the legal drafting includes such provision. In the event that the trial is suspended prior to the due date, Transco would co-operate with any Ofgas review of Transco's reason for the suspension.

ii. **Assessment parameters.** BGT and United Gas Services raised concerns over the parameters for assessing the trial, suggesting that the proposed parameters were not sufficiently detailed. The following parameters were suggested by United Gas Services:

- a. Volatility of SAP
- b. Number of Transco actions
- c. Percentage of 'late' renominations i.e., between 24.00 and 04.00 D.

Response: Transco agrees it would be appropriate to monitor and report on the suggested parameters, and will develop reporting to endeavour to establish whether the relaxation has permitted more timely and accurate information provision.

iii **The 1/24th rule.** Yorkshire Energy Limited and Scottish and Southern Energy raised concerns that the 1/24th rule prevents the full benefits of the proposed Modification being realised. Whilst agreeing that the 1/24th flow rates are necessary, Yorkshire Energy suggested that Shippers would be prevented from giving accurate nominations where a VLDMC load failed at 4am D-1, and the Shipper was not informed by the end-user until 9am D. With lead times built into AT Link the Shipper may be faced with an allocation of at least 1/6th of the original end of day flows and no prospect of the plant taking any gas that day. The result is that the Shipper is unable to enter a revised zero nomination if a positive nomination was properly entered at D-1. To overcome such a situation, Scottish and Southern Energy suggested that these rules could be relaxed for discrete exit points as it would be straightforward for Transco to police abuse of the rules at these points due to the additional telemetry commonly associated with these offtakes and the restriction on the number of Shippers that may offtake gas at an individual exit point.

Response: Transco considers that the provision of the 1/24th rule reflects the physical design parameters of the Transco network. The commercial mechanisms including AT Link are designed and operated to be compatible with these parameters. Whilst recognising the possible merits in this supplementary proposal, the situation described above could well result in Transco taking a System balancing action resulting in a cost to the community. Transco believes that this situation would be better resolved between the two parties involved through better communication links. However, to assess the problem indicated in the above Shipper responses Transco would encourage Shippers to advise Transco during the trial, by fax in real time, when better information, that cannot be input into AT Link, is available. This would provide practical evidence of the merit of moving away from the 1/24th rule, given its other benefits.

iv **Timing of the trial.** National Power, Southern Electric Gas, Shell, Scottish and Southern Energy and PowerGen called for the trial to start as soon as possible with Scottish and Southern Energy suggesting 1st March. BGT and TGM support the proposed start date and Shell understand Transco's wish to delay matters until daily gas demands are more stable. Southern Electric Gas called for an open ended trial. Alliance Gas expressed a concern that the timing of the trial may only demonstrate a small effect that would be magnified several fold in a volatile winter period. National Power expressed concern that a later start date, compounded by the time taken by Transco to complete the necessary analysis prior to presenting the results, will impact on the BC99 process.

Response: Transco believes that the suggested start date of 15th March offers the best opportunity to fully assess the effects of the trial. Demand should still be sufficiently high during the suggested trial period to provide a meaningful test of the revised regime, encouraging Shippers to adjust their balance positions in response to commercial signals and reflect this through the new renomination rules.

Transco undertakes to use all reasonable endeavours to complete analysis of the first half of the trial and present its initial findings at the BC99 Energy Balancing workgroup meeting planned for 28th April 1999. Transco will continue to monitor and analyse the second half of the trial and will report any significant differences to the first half of the trial at the workgroup meeting planned for 12th May 1999.

With regard to an open ended trial, Transco are unable to support this as it would require revision of Transco's safety case prior to the trial commencing. The time required to conclude this change would delay the trial and threaten the proposed timetable for the introduction of the OCM.

v **Provision of information to Transco and the effects on Transco balancing.** National Power, Southern Electric Gas, Shell, BP Gas, Scottish and Southern Energy and PowerGen agreed that the proposed Modification will facilitate compliance with Shipper licence Condition 2 and thereby improve information provision to Transco. Yorkshire Energy did not agree. Yorkshire Energy believe that, without additional measures such as 'phased scheduling' and the strict policing of Shipper licences on nominations, Transco will face a deterioration in the quality of AT Link nominations.

National Power, Alliance Gas and Dynegy expressed concerns that the trial may lead to additional balancing actions generating additional, unfocussed costs, whilst Enron recognise that Shippers have a role to play in the balancing of the System to enable a reduction in Transco's role of System balancer and that Shippers must be able to change their imbalance position within day to do this. Scottish and Southern Energy and Yorkshire Energy contend that Shipper nominations are not the primary trigger for balancing actions. Scottish and Southern Energy believe that there is an onus on Transco to determine which information at its disposal is the most reliable and use this to trigger its balancing actions. Yorkshire Energy contend that Transco will not value more accurate nominations because Transco does not use AT Link data at an individual Shipper level for physically balancing the System, Transco's ability to make appropriate operational decisions is likely to remain indifferent under this Proposal and that both Transco and Shipper balancing should be facilitated by incentives.

Response: One of the purposes of the trial is to ascertain whether or not information provision to Transco may improve and therefore this should be debated after the trial. With respect to Transco's use of Shipper nominations in its decision making process for balancing actions, from 02:00 D-1 System balancing options are assessed primarily on the information contained in the entry DFNs provided under the Local Operating Procedures, VLDMC exit profiles provided by Offtake Profile Notices (OPN's) and aggregate LDZ demand forecasts. However, Transco also assesses, before and during the gas day, the potential mis-match between forecast demand and information concerning proposed deliveries. To avoid misdirected, ill-timed or mis-quantified actions which can add to System balancing costs, the prevailing Shipper nominations should be as accurate and timely as possible. Transco's view on information provision in general is that balancing costs are reduced in a regime where Transco has sufficient data on which to base operational and System balancing decisions.

vi **On-the-day Commodity Market (OCM).** Enron, Scottish and Southern Energy, and Southern Electric agree that the Proposal is a necessary step to support the introduction of the OCM. PowerGen believe that liquidity in the OCM will be underpinned by the Proposal. Yorkshire Energy note that the purpose of the OCM has yet to be defined and contend that whether the OCM is a balancing tool for Shippers and Transco or a mechanism for NBP inventory swaps, this Proposal offers no significant benefit. Yorkshire Energy acknowledge the benefit of the Proposal if the purpose of the OCM is to allow Shippers to speculate on cashout prices, but oppose such behaviour if costs remain untargeted.

Response: Transco believes that the OCM is intended to be a mechanism for Shippers and Transco to access within day gas. This enhances Shippers' ability to source or sell gas to achieve a daily balance and affords the commercial opportunity of responding to price signals, which may in turn increase liquidity. Therefore, a trial is needed to assess the benefits and the regime needs to be kept under review.

vii **Effects on NDM forecasting.** United Gas Services challenge Transco's assertion that inaccuracy in Daily Metered (DM) nominations will impact its

forecasting of Non-Daily Metered (NDM) demand, and do not believe that inaccuracies in DM nominations should be used as a validation criteria on the efficacy of this Proposal. United Gas Services believe that Transco should accurately forecast NDM demand without reference to DM nominations, and if this leads to additional balancing actions then these should be targeted back to DM load.

Response: Transco’s forecasting process at each Local Distribution Zone (LDZ) involves forecasting the total LDZ demand including both DM and NDM consumers. At present it is not possible to forecast these two elements separately as Transco has insufficient historic or within day information available for DM and NDM sites separately. As a result, both Transco LDZ forecasts and Shipper DM nominations have an impact on the NDM attribution process within day. Transco does, however, believe that the present regime may occasionally provide a commercial incentive for inaccurate DM nominations, but that this should not exist under the trial. Transco therefore believes that the accuracy of DM nominations might be a sensible criteria to be used in part for assessing the effectiveness of the trial.

viii **Phased Scheduling.** United Gas support Transco’s proposal to complete a “shadow” assessment of ‘phased scheduling’ but believes that the industry should agree a definition for ‘phased scheduling’ prior to the trial. Dynegy believe it would be too complex.

Response: Transco agrees that it would benefit the assessment of both the nomination relaxation proposal and ‘phased scheduling’ if Transco endeavour to run a limited form of ‘phased scheduling’ in shadow mode during the trial.

ix **Facilitating the relevant objectives.** Scottish and Southern Energy recognise that greater costs for the community could be incurred “via neutrality smearing if Transco is forced into taking unnecessary System balancing action on the basis of dishonest renominations”. However, Scottish and Southern Energy contend that the inability to target costs at those who cause them is an issue that the industry needs to resolve regardless of whether or not the matching rule exists, and that steps should be taken in parallel to improve the ability to target costs and potentially increase incentives. Yorkshire Energy contend that the Proposal would harm Transco’s ability to operate an economic and efficient pipeline system and further distort competition between Shippers, since Shipper gaming would increase, forcing Transco to take more balancing actions, thereby increasing balancing costs and neutrality smearing. National Power highlight that Shippers may be required to provide supporting evidence of their physical input and output nominations for the duration of the trial.

Response: Transco shares the concerns of Yorkshire Energy and Scottish and Southern Energy. However, the extent of any change in within day cost generation will be dependent on Shipper behaviour under the revised regime. The approach adopted in the Proposal i.e., to have a fixed duration trial, is aimed at providing some analysis of Shipper behaviour and Transco balancing activities under the revised regime prior to introducing the same rule on a permanent basis. Transco propose providing Ofgas with data about the apparent accuracy of nominations during the trial

to facilitate Ofgas monitoring of compliance with the Shipper licence.

x **Alternative proposal.** Whilst opposing the Proposal, Yorkshire Energy has sympathy with the original intent. Therefore, Yorkshire Energy suggest an alternative approach based on the reflection of section C5.4.6 of the Network Code (non-matching reduction of inputs) on outputs, coupled with reducing tolerances and increasing the scheduling incentives to provide better information.

Response: Transco would encourage Yorkshire Energy to submit an outline proposal to the BC99 workgroup so that the industry can respond to its proposal.

xi **Publication of actual and target linepack during trial.** Yorkshire Energy believes that, as an incentive for Shippers to daily balance and thus reduce balancing costs, Shippers should not have access to data held on NB92 AT Link screen (actual and target linepack) during the trial.

Response: Transco considers that the information provided on the NB92 screen encourages Shippers to place bids on the flexibility mechanism and, as such, generates more competitive pricing. This in turn reduces balancing costs. Therefore, Transco does not support removal of this information during the trial. Transco also considers that changing this parameter may interfere with accurate trial evaluation.

xii **Renominations after Flexibility acceptance.** Dynegy requested that the legal drafting in support of the Proposal include some rules on renominations after acceptance of Flexibility bids.

Response: Transco understands the Dynegy concern that with the removal of the matching principle Shippers could accept a Flexibility trade, execute the required renomination and then later renominate in the opposite direction, causing further costs on the System. Transco agrees this is a possibility but believes this cannot be addressed through the legal drafting. Rather, this matter could be better addressed through the Shipper licence.

xiii **Monitoring of Shipper nominations by an independent ombudsman:** Scottish and Southern Energy made it clear that they would have no objection to providing nominations under supply contracts to an independent third party to enable further monitoring and analysis during the trial.

Response: Transco has no objection to this proposal but notes that no other Shipper has responded on this issue and therefore considers that no broad consensus exists to support it.

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

Transco is not currently aware that this Proposal will affect its ability to facilitate compliance with safety or other legislation.

13. **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:**

This Proposal is not required by, nor does it affect the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence.

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

Information to be collected for analysis.

Information on Shipper performance and the impact on the Transco System will be provided to Ofgas and the BC99 working groups after the trial to allow analysis and confirmation of any System improvements prior to any reintroduction of the trial.

Comparisons with data from previous periods will be made.

It is Transco's intention to use the data collected above to complete a 'shadow' assessment of "Phased Scheduling". Phased scheduling would calculate the difference between the prevailing Shipper nominations at various times during the Gas Day and their actual allocations at the end of the Gas Day. It is thought that the introduction of charges based on the above methodology would provide a further incentive for Shippers to procure and provide their best possible supply / demand forecasts to Transco.

Monitoring of Shipper nominations under supply contracts to producers and AT Link nominations to Transco could be considered. This could be done by an "independent third party/ombudsman". Obligations could be introduced for the duration of the non-matching trial. Differences between supply contracts will affect Shippers' nomination behaviour / rights.

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

In accordance with existing Network Code modification rules version 2, the timetable required to allow adequate time for representations, report compilation and Ofgas determination determines the earliest date for implementation as 24th February 1999.

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

It is Transco's opinion that the trial should be conducted during periods of moderate gas demands for the following reasons:

- Avoids placing further complication and change on the industry during the months of likely peak demand,

- More commercial scope for Users and therefore more realistic observations will be possible,
- System operation is less critical and,
- Other commercial instruments such as interruption are less likely to be in use, hence increasing the clarity of the trial results.

Therefore, Transco recommends that the trial referred to in the Modification Proposal should commence no earlier than Monday 15th March 1999. However, Transco also believes that it should reserve the ability to postpone the trial where it believes proceeding would jeopardise System security.

17. Restrictive Trade Practices Act:

If implemented this Proposal will constitute an amendment to the Network Code. Accordingly the Proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal:

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Director General in accordance with this report.

19. Text :

It is proposed to insert the following text in the Transition Document, part II, paragraph 8:

8.1A Section C: Nominations

8.1A.1 C5 .1 Subject to paragraph 2, in relation to each Gas Flow Day in the period of 30 Days commencing 15th March 1999, the requirement in Section C5.1.3 shall not apply, and accordingly the further requirements of Sections C5.1.6, 5.4 and 5.5.2 shall not apply; and any references elsewhere in the Code to those Sections shall be construed accordingly.

5 .2 If at any time in the period referred to in paragraph 1 Transco determines that the disapplication of Section C5.1.3 (and the other Sections referred to in paragraph 1) is prejudicing Transco's ability to maintain an Operational Balance, Transco may, by submitting an Active Notification Communication to all UK Link users, suspend the further application of paragraph 1 with effect from the Gas Flow Day following the Day on which such notice was given.

Signed for and on behalf of Transco.

Signature:



Tim Davis
Manager, Network Code

Date: 18/2/99

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 **305**, version **1.0** dated **16/02/99**) be made as a Modification to the Network Code.

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

Signature:



Date: 10/3/99

Stephen Smith
Director, Gas Trading Arrangements

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: 11/3/99

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.