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23 July 1999

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Dear Karen,

Modification 307 - 'Additional Measures to Cater for Terminal Constraints'

Ofgem has today decided to reject this modification.

The aim of Modification 307 was to help reduce the neutrality costs to the industry associated with entry capacity constraints. It proposed that on days when capacity was constricted, Transco would issue a 'Restricted Capacity Factor' to scale back Users' Available Capacity. On days where capacity was restricted, overrun charges would apply to entry allocations in excess of Restricted Capacity entitlements and not Available Capacity entitlements.

Transco's Final Modification Report for 307 stated that such a proposal was an interim measure to help reduce costs in advance of an alternative "Summer Solution". Additionally, the longer term proposals to deal with constraints were being developed within the Reform of Gas Trading Arrangements (RGTA).

The Summer Solution, ie Modification 331 - 'Revised System Entry Capacity Regime for Summer 1999' - was implemented on 19 May. The proposed aim of Modification 307, ie. to reduce the costs of entry capacity constraints in the short term, has been achieved in the Summer Solution. In doing this, Modification 331 also dealt with the issues and concerns highlighted in the Final Modification Report for 307. Therefore, Ofgem's view is that Modification 307 serves no purpose.

Please circulate this letter to shippers, customers and other interested parties.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Tahir Majid", written over a horizontal line.

Tahir Majid
Head of Gas Balancing