



Fax

To: Tim Davis Company: Transco Fax No: 0121 704 0442

From: Shaun Day Date: 11 December 1998

If there are any problems, please contact: Shaun Day on: 0171-932-1689

Please note my fax number: 0171-932-1675

Re: Urgent Modification Proposal 0307

We spoke on the telephone this afternoon and I explained that Ofgas did not believe that the proposal as it stands warrants urgent status. In line with our recent decision on Urgent Modification Proposal 298 (Extension of mod 271 to Barrow), we do not believe that significant system wide concerns exist to warrant urgent status for this modification. Furthermore, the proposal as drafted currently lacks sufficient detail to allow full consideration on short notice of the implications of introducing such a significant change to the regime system wide. For instance, the proposal needs to address the potentially conflicting timescales and processes in this modification and those already introduced following modification 273. Ofgas does support industry wide consideration of this proposal on a non-urgent (possibly 'fast track') basis.

However, we do believe that an urgent modification proposal to address St Fergus specifically would be warranted. Significant concerns exist to warrant urgent consideration of a modification proposal aimed at addressing potential problems after 18 December 1998. Ofgas believes that such concerns include 'catch-up' on offshore take-or-pay contracts; an increased likelihood of the system being exploited (given that such exploitation has already been 'successful' at St Fergus); and a continuing concern that Transco will not have the entry capacity available at St Fergus at a level consistent with your Ten Year Statement on or after 18 December 1998.

A handwritten signature in black ink, appearing to be "SD", written over a horizontal line.

Shaun Day
Economic Adviser
Head of Transportation Pricing