



Richard Gray  
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Network Code Development  
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Direct Dial: 0171-932-1669

23 December 1998

Your Ref:  
Our Ref : Net/Cod/Mod 308

Dear Richard,

**Urgent modification proposal 0308: Measure to Cater for possible Terminal Constraints at St Fergus**

Ofgas have accepted that this modification should be implemented for gas day 26 December onwards with scaling factor publication and daily and secondary capacity being offered on 25 December. We note that it would have been possible to offer approximately 2 mcm of secondary capacity at St Fergus recently. This modification should stay in place until services are introduced through BC99 or alternative provisions that may be considered by the capacity and energy workstreams.

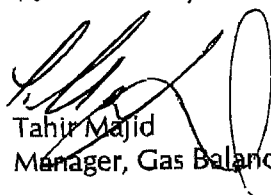
This modification should be introduced for four reasons. First, Ofgas understand that though the reinforcement work is likely to be complete soon and hence capacity increased from the current 110 mcm, at current demand, Transco is unlikely to be able to provide 125 mcm peak day capacity at this time because of other 'operational' problems. Transco is unsure when these operational problems will be resolved. Second, it is unclear to what extent shippers would wish to deliver more gas into St Fergus than the capacity available even if Transco had completed all work such that 125 mcm was available on the peak day. Third, it is not clear that shippers would not again seek to take advantage of the gaming opportunities inherent in the normal provisions of the network code to generate and deal with virtual or shipper created constraints. Fourth, there do not appear to be any viable alternatives.

A number of respondents have questioned the short time scales given to respond to this modification. Ofgas is not able to submit and hence cannot control the lateness of modification proposals. However, Ofgas did note to Transco and the industry some time before 18 December that consideration should be given to the treatment of St Fergus after 18 December. Because of the lateness of the receipt of the urgent modification proposal, Ofgas had no alternative to agreeing to the short time scales.

We will shortly be circulating our views on Transco liabilities for failure to provide capacity at St Fergus. However, we are minded to implement modification 287a from 9 October 1998 until Transco is able to provide 125 mcm peak day capacity at St Fergus.

Please circulate this letter with notification of implementation of modification 308.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tahir Majid', with a large, stylized loop at the end.

Tahir Majid  
Manager, Gas Balancing