



15 March 1999

Direct Dial: 0171-932-1656

Our Ref : CMS/MOD/25 and 26

Mr Tim Davis
Manager, Network Code
Network Code Development
First Floor South
31 Homer Road
Solihull
West Midlands B91 3LT

Dear Mr Davis

Modification 310 (Storage Unbundling) and Modification 311 (Operational Use of Storage Post-Unbundling)

Thank you for sending to Ofgas the final versions of Transco's modification reports in respect of the above modification proposals. Ofgas considers that both of these proposals would facilitate the achievement of Transco's relevant objectives; in particular, that they would be likely to facilitate the efficient and economic operation of Transco's pipeline system, and the securing of effective competition between relevant shippers and between relevant suppliers. On that basis, we agree that the modification proposals should be implemented. A copy of the signed modification reports is enclosed.

Yours sincerely

A handwritten signature in cursive script that reads "S. Aldridge".

Sean Aldridge
Head of Storage Regulation

Enc.



Decision Letter - Modification Proposal 311

Operational Use of Storage Post-Unbundling

17 March 1999

Present Position

Until now the provision of all BG plc's storage services has been included within section R of Transco's network code. However, following Ofgas' investigation into the supply of gas storage and related services, BG plc agreed a series of proposed undertakings as to the provision of storage services from 1 May 1999. Under the proposals, BG plc agreed to effect a robust internal separation between BG plc's transportation and storage businesses. It was also agreed that the Rough and Hornsea storage facilities should be removed from the ambit of BG plc's Public Gas Transporter Licence and that the capacity at those facilities should be auctioned.

Proposal

In modification 311, BG plc proposed to amend the terms by which Transco deals with storage customers and operators of storage facilities. The modification was designed to meet two objectives. First, the services at Rough and Hornsea will be supplied by separate agreement (the storage contract), and therefore, no longer by Transco's network code. Second, BG plc will operate its pipeline system in such a way that all storage facilities, whether or not owned by BG plc, will be treated similarly.

This modification proposed changes to several sections of Transco's network code. The most extensive changes have been made to sections R and K of Transco's network code. As a result of these changes, Transco's network code no longer refers to any of the storage services available at Rough and Hornsea. Changes have also been made to ensure that, wherever possible, the shippers to storage facilities are treated similarly to the shippers at other points on Transco's system.

Ofgas' Decision

Ofgas decided on 15 March 1999 that this modification should be implemented. We did so on the basis that the proposal would facilitate the achievement of Transco's relevant objectives; in particular, that it should facilitate the efficient and economic operation of Transco's pipeline system, and secure effective competition between relevant shippers and between relevant suppliers.

Possible Impact on Customers

The modification should facilitate improvements in the economy and efficiency with which Transco operates its pipelines system and should secure effective competition between shippers. Therefore, the cost to shippers of meeting peak demand and balancing their portfolios should decrease.

Further Information

The Ofgas contact is Andy MacFaul on (0171) 932 1683
The Transco contact is Chris Bradley on (0121) 623 2150