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Direct Dial: 0207901 7074

28 February 2003

Shippers, other interested parties and Transco

Our Ref: Net/Cod/Mod/619

Dear Colleague,

Modification Proposal 619 -"Deferral of Annual Storage Invitation"

Of gem has considered the issues raised in modification proposal 619 -'*Deferral of Annual Storage Invitation*' -and has decided to direct Transco to implement the modification. In this letter, we explain the background to the modification proposal, the nature of the proposal and give our reasons for making this decision.

Background

Transco recently indicated that as part of the conversion of the Isle of Grain LNG facility into an LNG import terminal, it would need to withdraw capacity at that facility. There is a possibility that the capacity left would be sufficient for Transco's requirements but would leave no capacity for shippers to book.

Ofgem has indicated to Transco that we would wish to consult on the implications of such a capacity reduction ahead of the Annual Storage Invitation being issued for the 2003/04 Storage Year.

The modification proposal

Modification Proposal 619 proposes that for the 2003/04 LNG Storage Year, the date for the launch of the Annual Storage Invitation (ASI), detailed in Section Z3.1.1 be deferred from 1 March 2003 to no later than 1 April 2003.

The modification proposal will also delay the publication of two network code statements: Transco's Operating Margins' statement and Transco's Constrained LNG requirement. These statements will be delayed from 1 March 2003 to no later than 1 April 2003.

Respondents' views

The three respondents all indicated support for this proposal or at least no objection to it.

Transco's Response

Transco is of the view that in order for Of gem to be able to consult on the implications of the capacity withdrawal, the ASI will have to be deferred.

Ofgem's view

We consider it important that LNG Users are able to comment on the capacity reduction, both in terms of the reasons for the reduction and the implication for capacity sales at the other four LNG facilities. Of gem expects that the deferral of the ASI will allow us to consult late next week.

Ofgem's decision

Ofgem has decided to direct Transco to implement this modification because we believe that it better facilitates the relevant objectives in Transco's Gas Transporters licence.