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value to customers

The Joint Office, relevant Gas
Transporters and other interested
parties

Our Ref: Net/Cod/Mod/UNC129
Email: industrycodes@ofgem.gov.uk

10 January 2007

Dear Colleague,

Request for urgent status for modification proposal UNC129: 'Delay to the 2007 AMSEC Auction'.

Following consideration of the request that modification proposal 129: '*Delay to the 2007 AMSEC Auction*' follows urgent modification procedures, Ofgem has today agreed to that request.

In reaching our decision on granting urgent status we have considered the details contained within the modification proposal and the Proposer's justification for urgency. Ofgem considers that this proposal satisfies the criteria for granting urgent status to a modification proposal, as set out in its published guidelines¹. In particular, we consider that the proposal is both linked to:

- a real likelihood of significant commercial impact upon GTs, shippers or consumers if the proposal is not granted urgency. The impact of not implementing the changes in a timely could be an increase in buyback costs. National Grid Gas (NGG) would be exposed to fifty percent of the first £36m of any such costs and shippers (directly) and consumers (if the costs are passed through) to any costs not borne by NGG; and
- an imminent date related event, the date being that of the February Annual Monthly System Entry Capacity ('AMSEC') auctions. These auctions will relate to the sale of capacity from the 1st April 2007. It is anticipated that NGG's capacity release obligations will change on and from the 1st April 2007 as part of the anticipated changes to NGG's licence to give effect to the agreed² proposals for the transmission price control review. These changes are relevant to the February auctions.

Urgency Timetable

Whilst agreeing the urgency timetable Ofgem does not agree to do away with the need for a recommendation and trusts that you will arrange for one.

¹www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11700_Urgency_Criteria.pdf

² NGG indicated its agreement to Ofgem's proposals on 15th December 2006

Interaction with UNC modification proposal 128

Ofgem notes that the proposals in this modification proposal and the proposals in modification proposal 128 (currently with Ofgem for determination) are incompatible (i.e. both cannot be implemented together). Ofgem therefore intends to hold off making a decision on modification 128 until it is ready to make a decision on 129 as well.

For the avoidance of doubt, in accepting this request for urgency, Ofgem has made no assessment of the merits of the modification proposal and nothing in this letter in any way fetters the discretion of the Authority in respect of this modification proposal.

If you have any queries in relation to the issues raised in this letter, please feel free to email industrycodes@ofgem.gov.uk.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Simpson', written over a horizontal line.

Nick Simpson
Director, ICL