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The Joint Office, Relevant Gas
Transporters and other interested
parties

Our Ref: UNC/Mod/081
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Dear Colleague

**Uniform Network Code modification proposal 081: AQ Review Process-
publication of information'**

Ofgem¹ has considered the issues arising from the modification report in respect of Uniform Network Code (UNC) modification proposal 081 and, having regard to the principal objective and statutory duties of the Authority², has decided to direct relevant gas transporters to implement the modification proposal.

Ofgem considers that it would better facilitate the achievement of the relevant objectives of the UNC, as set out under Standard Special Condition A11³ of the relevant Gas Transporters' licences, as compared with the existing provisions of the UNC.

Background

The Supply Point Annual Quantity (AQ) is used to determine the allocation of energy each day to that supply point. The quantities assessed under this process drive the allocation of energy for consumption billing purposes and underpins the calculation of daily consumption of Non-Daily metered supply points for energy balancing purposes.

The UNC describes the manner in which AQ's may be amended by the registered User and the obligations on the User in approaching these amendments⁴. The UNC also provides an obligation upon Transporters to publish information regarding the manner in which the AQ review is conducted⁵.

The modification proposal

Modification proposal 081 seeks to enhance the AQ review information published by Transporters by providing an overview of Users' performance in the AQ review process in an anonymous format. The modification proposal therefore seeks to adopt a "Shipper A, Shipper B.... Shipper Z" format, such that the identity of

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The term 'Ofgem', 'the Authority' and 'We' are used interchangeably in this letter.

² Set out in Section 4AA of the Gas Act 1986, as amended.

³ This Licence Condition can be viewed at:

http://62.173.69.60/document_fetch.php?documentid=6547

⁴ UNC section TPD G 1.6.4

⁵ UNC section TPD G 1.9.10

specific supply point consumptions within an individual Shipper portfolio would not be available to parties other than the Transporters and the Regulator, but will enable each User to have greater assurance that all other Users were conforming to their obligations under the Licence and the UNC.

The modification proposal, whilst recognising that the dates provided may not all be achievable in the first year, (in which case it is proposed that the publication be as soon as possible) proposes that Transporters publish and make available the following data to all Users:

- The effect of the AQ recalculation (by User and by Local Distribution Zone (LDZ)), which would be published by 1 November each year;
- the number of amendments raised (by User and in aggregate). This interim information would be published on 1 July and 1 August with final figures to be published on 1 November;
- the number of amendments successful (by User and in aggregate). This interim information would be published on 1 July and 1 August with final figures to be published on 1 November; and
- the numbers of speculative calculations by Shipper by aggregate during the AQ review process. This interim information would be published on 1 July and 1 August with final figures to be published on 1 November.

For End User Categories (EUC) 1, 2 & 3⁶ it is proposed that the published data would show the scale of such changes, the absolute change in energy terms; the aggregate kWh of all increases and the aggregate kWh of all decreases and the net impact of the number of changes where supply points have moved between EUC bands⁷. It is Proposed that the information be published by User across all LDZ's.

The Proposer considers that the modification proposal will further the relevant objectives⁸, facilitate the accuracy of AQ data and enhance the scrutiny and governance of the AQ review process.

Respondents' views

There were seven responses to the consultation on modification proposal 081, all respondents unanimously supported the modification proposal.

These respondents considered that the proposal would provide greater transparency and opportunity to examine changes in the AQ and may provide industry parties with greater confidence that changes in AOs are appropriate.

Respondents' views can be found in full on the Gas Transporters Information Service⁹.

Panel recommendation

At its meeting on the 20 July 2006, the UNC Modification Panel voted unanimously in favour of the proposal being implemented.

⁶ See UNC section TPD H1.2.1

⁷ Further details can be found on the Gas Transporters Information service at <https://gtis.gasgovernance.com>

⁸ (a), (d) (i) and (ii) as specified in Standard Special Condition A11, which can be viewed at: http://62.173.69.60/document_fetch.php?documentid=6547

⁹ <https://gtis.gasgovernance.com>.

Ofgem's view

We concur with the majority view of respondents and the recommendation of Modification Panel members that this proposal should be implemented. We consider that modification proposal 081 is likely to facilitate the accuracy of AQ data, deliver greater transparency of the AQ review and may provide greater confidence to all Users that the accuracy and reliability of the AQ data was maximised.

Ofgem therefore considers that the implementation of this proposal would better facilitate the relevant objectives, in particular the efficient and economic operation by the licensee of its pipe-line system(s). Ofgem also agrees with the proposer that more accurate AQ data and the enhanced scrutiny and governance of the AQ process provided by this modification proposal will assist in securing effective competition between relevant shippers and suppliers.

If you have any further queries in relation to the issues raised in this letter, please feel free to contact me on 020 7901 7355 or 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, Industry Codes and Licensing