



*Promoting choice and
value to customers*

GTC, GPL, UGI, Shippers and
other parties

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Dear Colleague,

Modification Proposal GTC327, GPL26, UGI18: Introduction of a revised iGT AQ review process.

Ofgem has considered the issues arising from the above modification proposals, raised simultaneously to the Network Codes of the Gas Transportation Company Ltd (GTC), GTC Pipelines Ltd (GPL) and Utility Grid Installations Ltd (UGI) (hereafter jointly referred to as GTC¹). Ofgem considers that this modification will better facilitate the relevant objectives of the Network Code(s) as defined in standard condition 9 of the Gas Transporters Licence and having also had regard to its statutory duties, has therefore decided to direct that this proposal be implemented.

Background

In June 2003 Ofgem approved a modification proposal which introduced an industry agreed AQ Review procedure. This procedure was set out in an ancillary document which was referenced within the majority of the iGT network codes.

This procedural document was developed by iGTs and Shippers in the Gas Forum AQ sub-group. Subsequent changes and refinements to this document have also been agreed within this sub-group, rather than being subject to Network Code governance procedures.

The Modification Proposal

This modification proposal seeks to introduce a revised [iGT AQ Review Process](#) ancillary document, via a reference within the GTC Network Codes. In contrast to previous AQ reviews these procedures will be enduring and so will negate the need to raise modification proposals prior to the start of each AQ review in coming years. In addition, these procedures will become subject to Network Code governance, with any future modifications being dealt with under the Network Code modification procedures, rather than by discussion and agreement within the AQ sub-group.

¹ The [Gas Transportation Company](#) is a subsidiary of Babcock & Brown Infrastructure Ltd. It also owns GTC Pipelines Ltd and Utility Grid Installations Ltd (UGI).

Respondents' Views

GTC received five responses to its consultation on this modification proposal, all of which were supportive of its implementation. A common theme was that the modification would facilitate a more robust, consistent and transparent AQ Review process.

GTC's View

GTC supports the modification to each of three Network Codes, for the following reasons:

- Following recent industry discussions, a revised AQ Review process and timetable has been developed and agreed, resulting in the production of a document entitled 'IGT AQ Review Process'.
- The proposal is aimed at bringing suitable and consistent governance to the AQ Review process across all IGT Network Codes, by introducing the document entitled 'IGT AQ Review Process' as the Ancillary Document within each of the IGT Network Codes.
- The accuracy of AQ values have a large commercial impact to all Shippers and without such a modification to the Network Codes, appropriate governance surrounding the AQ Review process will continue to not be in place. Shippers would potentially be unable to conduct the AQ Review in a robust, consistent and equitable manner across the IGT market.

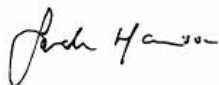
Ofgem's View

Ofgem supports the implementation of this modification proposal as a means of updating and improving the iGT AQ Review Process. This proposal will allow the existing process to be adopted as an enduring arrangement which will negate the need to raise successive modification proposals for each AQ Review as has been the case in past years. This in itself should reduce the administrative burden upon both GTC and shippers, leading to efficiency gains.

Ofgem therefore considers that the implementation of this proposal would better facilitate the relevant objectives of Network Code(s), in particular the efficient and economic operation by the licensee of its pipe-line system(s). Ofgem also agrees with the proposer that the improved accuracy of AQs that should result from these amended procedures will enable more accurate billing and therefore further facilitate competition between gas shippers and gas suppliers.

Should you have queries regarding this decision please contact Samantha McEwen on 020 7901 7032.

Yours sincerely



Sarah Harrison
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