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value to customers*

SSE Pipelines Ltd, Shippers and
other parties

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9 June 2006

Dear Colleague,

Modification Proposal SSEP016: Introduction of a revised iGT AQ review process.

Having considered the issues arising from this modification proposal and having also had regard to its statutory duties, Ofgem believes that this modification will better facilitate the relevant objectives of the SSE Pipelines Ltd (SSEP) Network Code as defined in standard condition 9 of the Gas Transporters licence. Ofgem 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 SSEP 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.

Respondents' Views

SSEP received three responses to its consultation on this modification proposal, all of which were supportive of its implementation.

SSEP's View

SSEP also supports the implementation of this proposal, stating that the AQ review process and the consequent updating of AQ values is consistent with the efficient and economic operation by the licensee of its pipeline system. It went on to state that accurate AQs will enable more accurate billing of shippers by iGTs and GTs and will consequently facilitate competition in supply.

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 SSEP 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 Ndidi Njoku 020 7901 7157.

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**