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15 August 2005

ESP Connections Ltd, Shippers and other parties

Dear Colleague,

**Modification Proposal ESPC035: 2005 AQ Review.**

Ofgem has considered the issues raised by modification proposal ESPC036 and has decided to direct ESP Connections Ltd (ESPC) to implement the proposal as we believe that it will better facilitate the relevant objectives of ESPC's network code as defined in standard condition 9 of its Gas Transporters (GT) Licence.

In this letter we provide some background to the modification proposal and explain the reasons for our decision.

**Background to the modification proposal**

In June 2003 Ofgem approved modification proposal BGCL0025. This proposal introduced industry agreed AQ Review procedures via an ancillary document into the BGCL Network Code. These procedures were refined in readiness for the 2004 AQ review and such amendments were approved via modification proposal BGCL0029, which was approved by Ofgem in May 2004.

Since that time, British Gas Connections Ltd (BGCL) has been taken over by East Surrey Holdings and forms part of the same group of licensed companies that currently include ESP Pipelines Ltd, ESP Networks Ltd and ES Pipelines Ltd. Upon this takeover the BGCL company name was changed to ESP Connections Ltd with a consequent change to the name of the Network Code. However, the text of the ESPC Network Code is still that of the original BGCL code.

**The Modification Proposal**

This modification proposal seeks to give reference within the ESPC Network Code to the AQ Review procedures that are currently used by ES Pipelines Ltd and have previously been agreed

by the IGT workgroup. The procedure also includes adjusted AQ correction factors which are to be applied to any AQs which are not reviewed as a result of the 2005 IGT AQ Review. These adjusted factors are in line with those used by Transco to calculate AQs.

### **Respondents' views**

ESPC received no responses in relation to this modification proposal.

### **Ofgem's views**

Ofgem supports this modification proposal as a means of updating and improving the existing IGT AQ Review process. Ofgem believes that undertaking an AQ review in 2004 should improve the accuracy of energy allocation amongst shippers who are active on ESPC's networks which furthers its relevant objective of 'operating an economic and efficient pipe-line system.'

Ensuring that ESPC operate an AQ Review under the same conditions as other IGTs will also contribute to a more consistent approach and should provide Users with additional clarity in their dealings with IGTs in general.

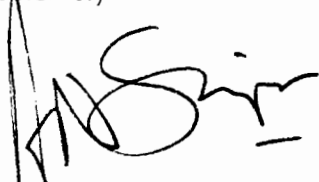
### **Ofgem's decision**

Having considered the issues raised by this modification proposal Ofgem has decided to direct ESPC to implement modification proposal 0035, as it will contribute to the efficient and economic operation of the pipe-line system and to the fulfilment of the relevant code objectives, particularly Standard Condition 9.1 (c).

In accordance with condition 9 (9) (b) of the standard conditions of ESP Connections Ltd Gas Transporter's Licence, dated 21 February 1996, ESP Connections Ltd is directed to make the above proposal (as contained in ESP Connections Ltd Network Code Modification report 0035 dated 17 June 2005) as a modification to the Network Code.

If you have any further queries regarding this decision letter please feel free to contact Samantha McEwen 020 7901 7032.

Yours sincerely



Nick Simpson  
Director, Modifications