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UGI Ltd, Shippers and other interested parties.

Dear Colleague,

Modification Proposal UGI17: Alignment of Utility Grid Installation Ltd (UGI) Network Code with those of Gas Transportation Company Ltd (GTC) and Gas Transportation Pipelines Ltd (GPL).

Ofgem¹ has considered the issues raised by modification proposal UGI17 and has decided to approve implementation. This proposal will better facilitate the relevant objectives of UGI's network code and is also consistent with Ofgem's wider statutory duties. This letter explains our decision.

The proposal

GTC assumed operational control of the entire UGI portfolio on 12 September 2005. IGT issues and governance options have been discussed at the Gas Forum IGT governance subgroup for some time. A Gas Forum paper issued in August 2005 highlighted these issues again and has led to increased pressure on IGTs to align their network codes and modification procedures. The GPL network code was aligned with the GTC network code in June 2003. To achieve immediate parity and ongoing consistency between the GTC, GPL and UGI network codes it is proposed that the existing UGI network code replicates the GTC/GPL network code in its entirety.

Industry responses

GTC received 4 representations to this modification proposal.

Three respondents offered full support because they considered that the proposal would help to reduce the current administrative burden on shippers in connected with the handling of modification proposals. One respondent offered support for the principle of the proposal but expressed concerns over the perceived lack of detail in the GTC/GPL network code. They argued that it may be more beneficial, particularly if in time all IGTs

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

adopt a UNC, to align the GTC/GPL codes with that of UGI, which contains considerably more detail.

Ofgem's views

Ofgem believes that the alignment, where appropriate, of network codes is a positive step and should benefit GTs, Shippers and ultimately consumers on those networks, by removing confusion and facilitating efficiencies of scale and scope.

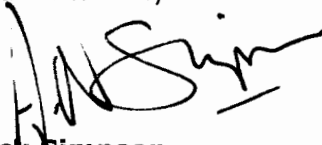
Ofgem notes the concerns raised by Scottishpower regarding the lack of detail in the GTC/GPL code when compared with that of UGI. However, it is not clear whether simply having more detail around certain provisions of the Network Code would itself better facilitate the achievement of the relevant objectives. For instance, Scottishpower has not in its response suggested that the existing provisions of the GTC/GPL codes are in any way deficient, though these would in any case be outside the scope of this modification proposal.

Whilst Ofgem would be concerned if this modification proposal would have genuinely detrimental effect on the operation of the pipeline which is subject to the UGI Network Code, there is no evidence that this is the case and the loss of certain details does not in itself appear to warrant the rejection of this modification and the potential loss of efficiency benefits it seeks to deliver. Should parties feel that the aligned network code has any deficiencies, they are at liberty to raise further modification proposals as appropriate.

Ofgem also recognises the concerns of Scottishpower regarding the potential inefficiencies that this code alignment could have in the event of an IGT Uniform Network Code being developed. However, this modification proposal can only be judged on its own merits and Ofgem's decision cannot be contingent upon potential future developments.

If you would like to discuss this decision further please contact me on 020 7901 7355 or Samantha McEwen on 020 7901 7032.

Yours sincerely



Nick Simpson
Director, Industry Codes and Licensing