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to customers*

Independent Pipelines Limited,  
Shippers and other interested  
parties.

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Dear Colleague,

**Acceptance of Modification Proposals IPL014 'formally include the Network Code modification rules within the Network Code' and IPL015 'rules modification notice'.**

Ofgem<sup>1</sup> has considered the issues arising from the above modification proposals and has decided to direct Independent Pipelines Ltd (IPL) to implement the modification, as we believe that it will better facilitate the achievement of the relevant objectives of IPL's Network Code, as set out in Standard Condition 9 of its GT licence. Ofgem also considers that these decisions are consistent with its wider statutory duties.

**Background to the proposal**

The GT licence requires IPL to establish transportation arrangements consistent with its duties under section 9 of the Act and to facilitate the achievement of the relevant objectives. These arrangements are to be in a document referred to as the Network Code. The licensee is similarly required to prepare a document setting out the modification procedures for the Network Code.

Currently, the IPL modification rules form a separate document to the Network Code itself. This has implications insofar as the modifications rules are not subject to the governance that they themselves provide, though they may only be changed with the consent of the Authority.

**The Modification Proposal**

Modification proposal IPL014, raised by E.on UK, seeks to include the IPL Network Code modification rules formally into the Network Code itself. In effect this would mean that the modification rules would constitute part of the Network Code and therefore be subject to the same change control procedures, allowing parties to the Network Code to propose changes to the rules.

IPL has raised a separate request, IPL015, for consent to amend its modification rules, which would have the effect of aligning its modification procedures with those of other independent GTs. As these are currently outside of the ordinary modifications process

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<sup>1</sup> Ofgem is the office of the Gas and Electricity Markets Authority. The terms 'Ofgem' and the 'Authority' are used interchangeably in this letter.

they have been pursued separately, though they also require the consent of the Authority.

### **Respondent's views**

IPL received only one representation to its consultation on modification proposal IPL014, which supported its implementation. There were no substantive comments.

### **IPL's View**

IPL states that it supports that general thrust of IPL014 insofar as aligning timescales across the industry, but does not support the incorporation of the modification rules into its Network Code. IPL considers that it is not clear from the proposal how IPL014 would in itself further the relevant objectives of the Network Code

With respect to IPL015 it states that well-managed governance processes are rightly regarded as key to delivering effective and necessary change that impacts every area of the Network Code and notes that IPL015 seeks to align the timescales and procedures outlined within the Modification Rules with those of other IGTs.

IPL goes on to suggest that a set of modification rules that are harmonised across all iGTs are key in allowing Parties to be able to make necessary changes to the Network Code in practical timescales. IPL considers this furthers achieving the relevant objectives of the GT license standard condition 9, through efficient and economic operation and also by efficient discharge of the license obligations as in paragraph 6(b).


### **Ofgem's View**

Having considered the issues arising from this modification proposal Ofgem has decided to direct IPL to implement both modification proposal IPL014 and IPL015.

Ofgem welcomes the principle of more open access to the governance of gas and electricity industry codes by contracted Parties. Open and transparent processes underpin effective and efficient consultation and consideration of modification proposals. While the Network Code and modification rules are mentioned separately within the licence, this does not preclude them from being part of the same document. Ofgem considers that it will be more efficient to manage the Network Code within a single document, with all modifications being processed in a similar fashion. Ofgem therefore considers that both proposals will further the efficient discharge of IPL's obligations under its GT licence.

To the extent that improved governance, through the incorporation of modification rules within the Network Code will increase transparency and Parties' confidence in the market framework, the proposals should also further facilitate the securing of effective competition between gas shippers and suppliers.

Yours sincerely,



**Nick Simpson,**  
**Director, Industry Codes and Licensing**