



SSE Pipelines Limited, Shippers and other interested parties.

Our Ref: Net/Cod/iPGT12
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Email: modifications@ofgem.gov.uk

02 November 2005

Dear Colleague,

Modification Proposal SSEP014: 'Harmonise Network Code Modification Rules'.

Ofgem¹ has considered the issues raised by this modification proposal and has decided to direct Scottish and Southern Electric Pipelines Ltd (SSEP) to implement the proposal as we believe that it will better facilitate the relevant objectives of SSEP's Network Code as defined in standard condition 9 of its GT Licence.

Background

The GT licence requires SSEP to establish transportation arrangements consistent with its duties under section 9 of the Gas Act 1986 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.

Although the SSEP modification rules had previously formed a separate document, they were incorporated into the Network Code with the implementation of Modification SSEP012 and are now subject to the same modification procedures.

The Modification Proposal

The Modification Proposal is raised by Powergen Retail Limited, and seeks to harmonise the SSEP Modification Rules with others within the iGT community. Similar proposals are being raised to other Network Codes. Key aspects of the proposal include deadlines for the circulation of documentation and the use of standard templates.

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

Respondents' Views

SSEP received four responses to its consultation proposal, which provided support to Modification Proposal SSEP014. All respondents felt that the proposal would improve efficiency, particularly of change control, by allowing modifications to be pursued to common timescales across the industry. In particular, one respondent felt that the proposal would reduce ambiguity in timescales, while another considered that the proposal was consistent with previously published principals of good governance².

Three of the responses also raised some points for clarification which have been resolved.

SSEP's Views

SSEP supports the Proposed Modification.

Ofgem's Views

Ofgem considers that the implementation of this proposal will be beneficial to the governance of the SSEP Network Code by providing greater clarity and certainty of future change. Ofgem therefore considers such measures to be consistent with relevant objective c) of the SSEP Network Code, *'the securing of effective competition between relevant shippers and between relevant suppliers'*. Furthermore, Ofgem notes equivalent proposals have been raised to several of the other IGT's Network Code to facilitate harmonisation across the various Network Codes.

Ofgem understands that the SSEP Modification Rules already provides for the circulation of an Ofgem decision within 5 Business days of receipt. However notes that the proposed template for the Draft and Final Modification Reports suggests a predetermined date for such circulation. In this regard, Ofgem considers that the inclusion of a date for dissemination of the Authority decision is not feasible, as Ofgem's decisions on Modification Proposals cannot be timebound within the Network Code or rules³.

In addition, Ofgem notes that IGT modification proposals have rarely solicited a large response from Shippers, and is concerned about the proposal to introduce a secondary consultation, which may not add value to the process. In this respect, Ofgem is also aware that Shippers may welcome the opportunity to review the Draft Modification Report, particularly if this is the first opportunity to comment on the legal text etc. In addition, Ofgem notes past experience of receiving modification reports which differ significantly in terms of their quality. In this regard it should be noted that the more information is available to Ofgem within the report, the easier and more robust will be its decision. On balance, Ofgem considers that in the event that no comments are received on the Draft Modification Report by the end of the 15 business day period, the Draft Modification Report could simply be forwarded to Ofgem as the final version.

² Gas Retail Governance – Further Consultation; Ofgem 37/03, June 2003

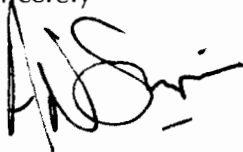
³ As part of its 2005-06 corporate plan Performance Indicators, Ofgem aims make 70% of Modification decisions within 5 weeks

Ofgem's decision

Having considered the issues raised by this modification proposal Ofgem has decided to direct SSEP to implement modification proposal SSEP014, 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 c) *securing of effective competition between relevant shippers and between relevant suppliers.*

If you have any further queries regarding this decision letter please feel free to contact Ofgem at: modifications@ofgem.gov.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'N Simpson', written over a faint, illegible printed name.

Nick Simpson
Director, Modifications.