

Modification proposal:	<p>GUC SCP4: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – AQ Updates and I&C Reconciliations,</p> <p>GUC SCP5: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – CSEP NExA Table,</p> <p>GUC SCP6: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – Shrinkage,</p> <p>GUC SCP7: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – Supply Point Classification.</p>		
Decision:	<p>The Authority¹ directs that each of these modifications be made²</p>		
Target audience:	<p>Global Utility Connections Ltd (GUC), Parties to the GUC Network Code and other interested parties</p>		
Date of publication:	<p>30 October 2006</p>	<p>Implementation Date:</p>	<p>To be confirmed by GUC</p>

Background to the modification proposal

Under the bilateral Connected System Exit Point (CSEP) Network Exit Agreement (NExA), iGT's are required to provide timely updates to Large Transporters³ to allow them to calculate output quantities, the proportion of transportation costs relating to Large Transporters and to facilitate the reconciliation of Larger Supply Points as obliged under the UNC.

There do not seem to be any material risks associated for non compliance of these obligations for either of the contracting parties. Lack of timely provision of AQ updates and reconciliation volumes by iGT's may however result in material risk and concern for CSEP Users such as misallocation of energy volumes and therefore incorrect Reconciliation by Difference (RbD) and inaccurate calculation of transportation charges.

The modification proposal

These proposals would place the key obligations (in respect of data provision) outlined in the CSEP NExA into the GUC Network Code. Code parties, including the relevant CSEP Users would gain oversight of the relevant data to be provided and associated timescales for provision.

The proposer considers these proposals will increase transparency and accountability and promote effective competition.

The Authority's decision

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

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ Large Transporters include Transco plc, Scotia Scotland, UU/CKI, Macquarie Wales & West and Scotia South of England

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) received 29 June 2006, with accompanying legal text received 5 October 2006. The Authority has considered and taken into account the responses to GUC's consultation on the modification proposal which are attached to the FMR. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the GUC Network Code⁴; and,
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁵.

Reasons for the Authority's decision

These modification proposals deal with data flows between the iGT's and Large Transporters, in particular the timescales within which the data should be provided. The obligations to provide this data currently sit in the bi-lateral CSEP NExA agreement between the relevant iGT and Large Transporter. The Large Transporter utilises the data to calculate amongst other things transportation charges, accurate reconciliation values for the Rbd process and AQ values. All of these calculations have impacts beyond the two parties contracted to the CSEP NExA agreement, particularly upon the Shipper community. Untimely provision of the required data impacts Shipper charges and costs.

We note that all respondents to the consultation of these proposals were in favour of their implementation. We agree with those who considered that placing these obligations within the Code will create a more transparent set of working arrangements. It will give the Shipper community oversight of the procedures and timescales to be followed. We have also recently approved UNC modification 083⁶ which has placed corresponding obligations on Large Transporters within the UNC, to process the data received from iGT's in an equally timely fashion. We consider that these modifications, together with UNC modification 083 will give oversight of the complete process to all interested parties. This should provide greater incentives for compliance. Increased compliance should lead to a more accurate reflection of costs and charges incurred by all relevant participants in the market which should facilitate competition.

Given the above, we consider that these enhancements will better facilitate both relevant objective (a) and (c). The increased transparency and promotion of competition is also in accordance with the Authority's principal objective to protect the interests of consumers by where relevant promoting competition.

It would seem appropriate in light of this decision to amend any bilateral agreements accordingly since it may not be appropriate for the same set of obligations to sit in two contractual arrangements. We would encourage increased participation and cooperation between the iGT's and Large Transporters to facilitate the appropriate changes and therefore good governance across all codes and agreements.

⁴ As set out in Standard Condition 9(1) of the Gas Transporters Licence, see:

http://62.173.69.60/document_fetch.php?documentid=4311

⁵ The Authority's statutory duties are wider than the relevant objectives and are detailed mainly in the Gas Act 1986.

⁶ UNC modification 083: 'Proposal to insert obligations to process data received from iGTs in line with the requirements as outlined within Annex A of the Connected System Exit Point (CSEP) Network Exit Agreement (NExA)'.

We also note our ongoing concern over the provision of legal text for iGT modification proposals. For instance, the text provided for these proposals contains some typographical errors and is not drafted in a particularly clear manner. Nevertheless, we do not consider that the concerns of the legal text warrant the rejection of this proposal, given that it does better facilitate achievement of the relevant objectives of the GUC Network Code than the current provisions.

Decision notice

In accordance with Standard Condition 9 the Gas Transporters Licence, the Authority, hereby directs that the following modifications to the GUC Network Code be made:

- SCP4: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – AQ Updates and I&C Reconciliations;
- SCP5: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – CSEP NEXA Table;
- SCP6: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – Shrinkage; and,
- SCP7: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – Supply Point Classification.

A handwritten signature in black ink, appearing to read 'N. Simpson', with a horizontal line underneath.

Nick Simpson
Director, Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose.