

Modification proposal:	<b>East Surrey Pipelines Connections Ltd (ESPC) Network Code 039: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – Supply Point Classification</b>		
Decision:	<b>The Authority<sup>1</sup> decided to reject this proposal</b>		
Target audience:	<b>ESPC, Parties to the ESPC Network Code and other interested parties</b>		
Date of publication:	<b>09 November 2006</b>		

## 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 transporters<sup>2</sup> 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

The modification proposal sought to place key obligations (in respect of data provision) outlined in the CSEP NExA into the ESPC Network Code. This would give code parties, including relevant CSEP Users oversight of the relevant data to be provided and associated timescales for provision. The proposer considered this would increase transparency and accountability and promote effective competition.

Following a review of code baseline however, it was considered that no actual changes would be required to the legal text to incorporate these proposals, if they were approved. The current obligations of the code seem to provide the required oversight intended by the proposal.

## The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) provided on 9 October 2006. The Authority has considered and taken into account the responses to ESPC's consultation on the modification proposal which are attached to the FMR.

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

<sup>2</sup> Large Transporters include Transco plc, Scotia Scotland, UU/CKI, Macquarie Wales & West and Scotia South of England

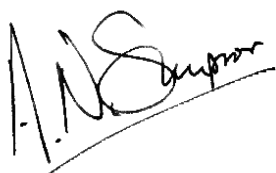
The Authority has concluded that implementation of the modification proposal will not better facilitate the achievement of the relevant objectives of the ESPC Network Code<sup>3</sup>.

### **Reasons for the Authority's decision**

Following a review of the code baseline to examine the changes that would be required to the legal text, in the event the Authority were to approve these proposals, the transporter, in agreement with the proposer concluded that no actual changes would be required. That being the case, there are no suggested changes before the Authority which it may consider directing.

We note that this review and examination of the baseline took place as the very last stage in the process. We would encourage dialogue and cooperation between the parties from the beginning of the modifications process to establish early on if a modification proposal has any substance. This should prevent proposals such as this one from utilising administrative resources unnecessarily.

On the basis that no suggested changes have been put forward to the code, we consider that this proposal does not better facilitate the code objectives or our statutory duties.

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

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

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

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<sup>3</sup> As set out in Standard Condition 9(1) of the Gas Transporters Licence, see [http://62.173.69.60/document\\_fetch.php?documentid=4311](http://62.173.69.60/document_fetch.php?documentid=4311)