

Modification proposal:	GPL028, UGI020 GTC329: Independent Gas Transporters (iGT) obligations in respect of data provision to Large Gas Transporters – CSEP NExA Table.		
Decision:	The Authority¹ directs that each of these modifications be made²		
Target audience:	GPL, UGI and GTC, Parties to the GPL, UGI and GTC Network Codes and other interested parties		
Date of publication:	04 December 2006	Implementation Date:	To be confirmed by GPL, UGI and GTC

Background to the modification proposal

The bilateral Connected System Exit Point (CSEP) Network Exit Agreement (NExA), contains a table which lists the estimated average annual gas consumption for new build dwelling in the UK (NExA Table). The values within this table are utilised for setting transportation charges under the Relative Price Control. Large transporters³ use the values to calculate the proportion of transportation costs related to the CSEP. Timely updates to the values should therefore lead to a more accurate reflection of costs, particularly for Shippers.

The modification proposal

These proposals would duplicate the NExA Table in the GPL, UGI and GTC Network Codes. Code parties, including the relevant CSEP Users would gain oversight of the relevant values in the table and be able to propose changes in these values if or when it was deemed necessary.

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

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) received on 9 November 2006. The Authority has considered and taken into account the responses to the GPL, UGI and GTC consultation on the modification proposal. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the GPL, UGI and GTC Network Codes⁴; and,
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁵.

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

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

Reasons for the Authority's decision

The AQ values listed in the NExA Table clearly have an impact on Shipper costs and charges. These values may need to be amended as houses become more energy efficient, through developments in insulation and house design generally. The values may also need to be revised following analysis based on actual meter reads. It would seem appropriate, therefore, that the parties most impacted by having inaccurate values, shippers, have the ability to propose modifications to them.

All of the respondents were in favour of approval of this modification, considering that it would increase transparency, accuracy and consistency of the arrangements, thereby promoting competition. GPL, UGI and GTC however considered the proposal should not be approved for a number of reasons. Firstly, the transporter considered codifying these obligations would mean that one obligation exists in two separate industry documents and to the extent that the obligations do not coincide then transporter will be in breach of one of these documents. Secondly, the transporter considered that placing these obligations in the code would not incentivise non compliant NExA parties any more so than they were currently incentivised under the NExA.

We agree with the majority of respondents that placing the NExA table within the Network Codes will increase transparency. There may presently be oversight of the table in the NExA amongst interested parties but these may not include new entrants, in particular, new entrant shippers. The NExA is a bilateral document, primarily governing the transporter – transporter relationship and may not be considered relevant for shipper activity. The code is a multilateral document, available to anyone on request and is a document that governs the commercial relationship between shippers and the iGT.

We would encourage all interested parties to take responsible action as soon as possible to facilitate the appropriate changes in relevant bilateral agreements. This would negate the risk of one obligation existing in two places and would constitute good governance across all codes and agreements. We do not consider amendment of the NExA to be a pre requisite to implementation of these proposals and we expect to see these proposals implemented in a timely manner.

Ofgem has 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. Ofgem considers 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. Ofgem considers these enhancement to better facilitate relevant objectives (a) and (c). The increased transparency and promotion of competition is also in accordance with Ofgem's Principal statutory duty to protect the interests of consumers, wherever appropriate by promoting competition.

⁵The 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 \(NExA\)'](#).

Decision notice

In accordance with Standard Condition 9 the Gas Transporters Licence, the Authority, hereby directs that modification proposals GPL028, UGI020 and GTC329: Independent Gas Transporters (iGT) obligations in respect of data provision to Large Gas Transporters – CSEP NExA Table are made.

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.