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| Modification proposal: | SSEP019: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – CSEP NExA Table. | | |
| Decision: | The Authority¹ directs that this modification be made² | | |
| Target audience: | SSE Pipelines Limited, Parties to the SSE Pipelines Limited Network Code and other interested parties | | |
| Date of publication: | 20 December 2006 | Implementation Date: | To be confirmed by SSEP |

Background to the modification proposal

The bilateral Connected System Exit Point (CSEP) Network Exit Agreement (NExA), contains a table that 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

This proposal would duplicate the NExA Table in the SSEP Network Code. 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 1 December 2006. The Authority has considered and taken into account the responses to SSE Pipelines Limited's 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 SSE Pipelines Limited Network Code⁴; 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.

²This 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

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

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, to have the ability to propose modifications to them.

The majority of respondents to the consultation of this proposal were in favour of its implementation. The transporter and one other respondent were against it. We agree with those who considered that placing these obligations within the Code will create a more transparent set of working arrangements. 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.

The improvement in transparency will allow the values to be more easily monitored and reviewed which should lead to more regular calculation of accurate costs and charges. Ultimately greater accuracy and certainty of costs should better facilitate competition.

Ofgem are aware that by approving this modification proposal the NExA table inserted into the network code will exist in parallel to the same table in the transporter's NExAs. As a consequence we encourage increased participation and cooperation between iGTs and large transporters to facilitate appropriate changes to bi-lateral agreements in order to avoid the duplicity of obligations within industry codes and agreements. However, we do not consider amendment of the NExA to be a pre-requisite to implementation of this modification proposal and we expect it to be implemented in a timely manner.

We consider that to the extent that suggested amendments have been put forward to the current baseline, greater clarity has been added to SSEP's Network Code, which will enhance transparency.


We agree that a multilateral document such as the proposed iGT UNC may provide a more efficient set of arrangements to consider modification proposals such as these, but parties remain obligated to consider and progress modification proposals to their current network codes in accordance with the modification rules until such time such a document comes into force.

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.

In relation to whether these obligations may be more appropriate to be placed in the SPAA, the respondent should consider if they wish to raise an appropriate change proposal under the SPAA governance arrangements for this issue to be considered more fully.

Decision notice

In accordance with Standard Condition 9 the Gas Transporters Licence, the Authority, hereby directs that modification proposal SSEP019 to the SSE Pipelines Limited Network Code be 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.