

Modification proposal:	SSEP20: Independent Gas Transporter (iGT) Obligations in respect of Data provision to Large Gas Transporters – Shrinkage.		
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

Under the bilateral Connected System Exit Point (CSEP) Network Exit Agreement (NExA), iGT's are required to provide on an annual basis timely estimates of shrinkage values to large transporters³. These values are used to procure extra gas to cover the shortfall due to shrinkage. Any errors in the estimates are reconciled through the Reconciliation by Difference (Rbd) process.

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 shrinkage estimates may however result in risk and concern for CSEP Users such as misallocation of energy volumes and therefore incorrect Rbd.

The modification proposal

This proposal would clarify the requirement for iGT's to provide shrinkage estimates by 1 August each gas year to large transporters

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 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. 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 iGTs in an equally timely fashion. We consider that this modification, together with UNC modification 083, will provide transparency of the complete process to all interested parties. In addition the improvement in transparency will allow obligations to be more easily monitored. Furthermore, greater clarity and transparency of obligations to transfer data in a timely manner 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 obligations inserted into the network code will exist in parallel to the same obligations 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.

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 proposal SSEP020 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.