

Modification proposal:	ESP/ESPN/ESPP121, ESPC045: Obligations to provide complete, timely and accurate data updates to Large Transporters where Nested CSEPs exist		
Decision:	The Authority¹ directs that this proposal should not be made.²		
Target audience:	ESP/ESPN/ESPP/ESPC, Parties to the ESP, ESPN, ESPP, and ESPC Network Codes and other interested parties		
Date of publication:	08 January 2006	Implementation Date:	N/A

Background to the modification proposal

Management of the Large Transporter and iGT relationship is governed by the Connected System Exit Point (“CSEP”) Network Exit Agreement (“NExA”). A Shipper which has arranged for gas to exit the system of the relevant GT and be fed onto the iGT network at a particular CSEP is described as the CSEP User, and the relationship between this party and the appropriate Gas Transporter is governed by the relevant network code. iGTs are required under the terms of Annex A of the CSEP NExA to undertake a number of activities relating to the provision of data to the large transporters although some provisions are duplicated in the network codes.

For the purposes of clarity it should be noted that a CSEP NExA governs the relationship between the Large Transporter and the iGT immediately connected to the Large Transporter Network. Where an iGT network connects to an upstream iGT Network to create a “Nested CSEP”, separate Network Exit Agreements should exist between these connecting Parties.

Where a nested CSEP exists, the lead iGT is reliant on the downstream iGT(s) to provide the data which it needs to send on to the large Transporters. It was felt that it would be appropriate to change the baseline of the codes such that they addressed how data from Nested CSEPs should be dealt with, as this would reduce the number of errors or anomalies in the data submissions provided to the large transporters.

The modification proposal

Original Proposal

The original proposal requires the Pipeline Operator to provide complete, timely and accurate data updates to Large Transporters where Nested CSEPs exist. The Proposal operates by designating the Pipeline Operator directly connected to a Large Transporter system as the Lead iGT and making them responsible for acquiring information about Supply Points from Pipeline Operator(s) of downstream systems and passing this to the Large Transporter. It was suggested that implicit in this is an obligation, where not the Lead iGT, to pass such information to the Pipeline Operator immediately upstream and to receive such information from a downstream iGT. The Proposer expected iGTs to facilitate this by contracting with other iGTs and assumed this would not prove a problem.

The scope of the information covered by the modification proposal was suggested as anything related to Supply points in any downstream system, but specifically included:

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.

- ◆ AQ Updates (in accordance with the annual review processes),
- ◆ CSAQs and number of Supply Points (updated on a weekly basis),
- ◆ I&C reconciliation volumes (updated on a periodic basis), and
- ◆ Shrinkage factors (updated annually).

The proposer suggested that the proposal would better facilitate the achievement of the relevant objectives by improving transparency and accountability as a result of giving shippers the ability to track the timing and update of Supply Points movements performed by iGTs to Large Transporters, and the subsequent allocation of transportation and gas costs.

Alternative Proposal

ESP/ESPN/ESPP was concerned about the workability and efficiency of the original proposal. It noted that

- ◆ the requirement for Supply Point information is to calculate balancing and reconciliation in the national transportation system and that these calculations all take place at a deemed location: the National Balancing Point, and
- ◆ The NBP is not a defined geographic point but it is generally agreed that for all commercial purposes it occurs within the high pressure NTS operated by National Grid Gas NTS.

ESP/ESPN/ESPP/ESPC therefore considered that, for information calculation, the GDN (of the Larger Transporter) is a connected system (to the NTS) and each downstream system (whether connected under the terms of the CSEP NExA or otherwise) is a Nested CSEP. It noted that the Larger Transporter also needs the information to bill its users for shipping gas to the CSEP under the terms of the UNC, and suggested that it would be more appropriate for the larger transporter to take the lead transporter role.

ESP/ESPN/ESPP/ESPC highlighted that, under the original proposal, an iGT would need to establish a chain of agreements relating to systems with which it may have no direct connection in order to facilitate the transfer of the information to the transporter responsible for balancing and reconciliation. The proposer appeared to consider that this would be disproportionate, and also noted that this would be done purely to avail of a particular agreement (the NeXA) which does not apply directly between the iGT and the transporter responsible for balancing and reconciliation.

In light of these concerns, ESP/ESPN/ESPP/ESPC proposed an Alternative requiring the Pipeline Operator to pass the information in question to the Larger Transporters directly. This would require the Lead iGT (being the iGT directly connected to a Large Transporter system under the terms of a NExA) to notify any other iGT on request of the identity of the CSEP on the xoserve systems and to notify xoserve that this other transporter is authorised to submit Supply Point data under the terms of the NExA.

Similarly, a downstream Pipeline Operator would agree to enquire of the Pipeline Operator upstream of it as to the identity of the CSEP on the xoserve system and to use that identity when communicating Supply Point information to xoserve.

Finally, the proposal would require iGTs to cooperate with other iGTs in the same “nest” in the calculation of shrinkage on the collective downstream system.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 05 December 2006. The Authority has considered and taken into account the responses to ESP/ESPN/ESPP/ESPC's consultation on the modification proposal which are attached to the FMR.

The Authority has concluded that implementation of the modification proposal will not better facilitate the achievement of the relevant objectives of the ESP/ESPN/ESPP/ESPC Network Codes.³

Reasons for the Authority's decision

The provision of timely and accurate data is an important part of ensuring an accurate balancing and reconciliation mechanism. Notwithstanding this, Ofgem observes that the iGT network codes are contracts between a specific iGT and the Shippers active on its network. As such, it may be inappropriate to include provisions in a network code which require that the Pipeline Operator connected to the Large Transporter must provide complete, accurate, and timely data to the Large Transporter in the context of a Nested CSEP. It is also unclear how the proposed obligation would be monitored or enforced given that it would be purporting to support the fulfilment of an obligation in a contract other than the network code. In light of this, it is Ofgem's view that inclusion of the proposed provisions within the network code would not better facilitate the achievement of Relevant Objective (a).

We recognise the views of some respondents that the data which is the subject of this modification proposal is already subject to an obligation in the CSEP NEXA but this data has not been provided consistently, particularly in the context of Nested CSEPs. We also recognise that although Shippers are directly impacted by the data transfers required under the NEXA, they are not parties to the agreements, meaning that the processes by which data is transferred are neither fully transparent nor accountable to Shippers. Whilst this is the case, we are not convinced that duplicating these provisions in the network code would be likely to solve the problems of data transfer being experienced.

One respondent suggested that it was unacceptable that neither the network code nor the NEXA contain provisions dealing with the process to be followed where Nested CSEPs exist and that it would be appropriate to address this process in the network code. For the reasons described above, Ofgem does not consider it would be appropriate to include these provisions within the network code. It may be appropriate for rules relating to the provision of data within Nested CSEPs to be dealt with in the CSEP NEXA between the large transporter and the directly connected iGT and for appropriate provisions to be included within the NEXAs applying to and between the Pipeline Operators downstream of the iGT network connected to the distribution network. It may be that if a uniform network code is developed covering all iGTs that the type of inter-iGT obligation envisaged by this modification would be possible. Whilst this is the case, it is questionable whether an obligation owed to the large transporter by virtue of the CSEP NEXA could be addressed through a unified code due to the scope of such a document.

The alternative amendment also seeks to place obligations on a pipeline operator which extend beyond its relationships with the parties to the code, i.e. the provisions address

³ As set out in Standard Condition 9(1) of the Gas Transporters Licence, see http://62.173.69.60/document_fetch.php?documentid=4311

how the pipeline operator should interact with other iGTs. As with the original modification it may be difficult to monitor and enforce these provisions as the network codes are contracts between specific iGTs and shippers as opposed to being enforceable between iGTs. Again, we consider that the inclusion of the proposed provisions within the network code would not better facilitate the achievement of Relevant Objective (a), and that the appropriate place for addressing this issue may be through the NExA or potentially under a unified network code.

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

Nick Simpson
Director, ECM Programme

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