

Modification proposal:	ESP Connections Ltd (ESPC) Network Code 048: LMN AQ Updates – Rejection Resolution		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	ESPC, Parties to the ESPC Network Code and other interested parties		
Date of publication:	26 January 2007	Implementation Date:	To be confirmed by ESPC

Background to the modification proposal

Whilst the relationship between the CSEP User (shippers) and the appropriate Gas Transporter is governed by the relevant Network Code, the relationship between Large Transporters (GTs) and independent Gas Transporter (iGT's) is governed by the Connected System Exit Point ("CSEP") Network Exit Agreement ("NEXA").

In particular, under Annex A of the CSEP NEXA, iGTs³ are required to submit weekly updates on information pertaining to the Logical Meter Number (LMN) to xoserve (on behalf of GTs). This allows Large Transporters to, calculate deemed offtake quantities, facilitate the reconciliation process for larger Transporters and produce CSEP Transportation Invoices to their Shippers.

Periodically xoserve will submit return files to the iGT, which will provide information on the outcome of the submissions made by the iGT, including any submissions that failed xoserve's validation procedures. This return file has no contractual basis under the NEXA, however when implemented, UNC Modification 083⁴ will oblige GT's to process data received from iGTs within specific timescales and will require xoserve to submit the return files within 2 Business Days.

On 9 November 2006, Ofgem approved Modification ESPC 038, which placed obligations (in respect of data provisions) outlined in the CSEP NEXA into the ESPC Network Codes.

The modification proposal

The modification proposal ESPC 048 seeks to build upon ESPC 038 by codifying IGT obligations regarding the management of Large Transporter network communications in connection with LMN AQ update rejections.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 22 December 2006. The Authority has considered and taken into account the responses to the ESPC consultation on the modification proposal which are attached to the FMR. The Authority has concluded that:

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 See [UNC Section A 3.3.1](#) for full definition

⁴ [UNC Modification Proposal 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).'

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the ESPC Network Code⁵; and,
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁶.

Reasons for the Authority's decision

We note that ESPC received three responses to the consultation, two of which were in favour and one opposed. We also note that ESPC did not recommend implementation of this proposal.

In general, the respondents who supported the modification proposal considered the modification will place an obligation on iGTs to proactively manage communications with Large Transporters and subsequently the resolution of LMN AQ updates. These respondents also highlighted xoserve concerns⁷ with regards to LMN AQ updates, in particular with respect to the frequency and quality of iGT LMN AQ updates and the extent to which the LMN AQ update process is being inappropriately managed.

We note the GT's view with regards to codifying the IGT obligations in connection with LMN AQ update rejections; in particular that xoserve's rejection codes for AQ updates are an operational matter which should not be hardwired into the ESPC Network Code.

We are concerned with the apparent lack of a robust LMN AQ update process, particularly, given that large Transporters require the timely and accurate transfer of data from iGTs to allow for the calculation of deemed offtake quantities and thereafter the production of CSEP Transportation invoices to their Shippers. Furthermore, whilst rejections at the CSEP do not affect the physical volume of gas offtaken, energy misallocations through the Reconciliation by Difference (RbD) Settlements mechanism may occur as the correct energy apportionment may not be assigned against the correct Shipper. These issues have impact beyond the two parties contracted to the CSEP NEXA agreement, particularly upon the shippers.

We therefore consider that this modification proposal should provide greater incentives for compliance with the LMN AQ update process. 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 enhancements 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.

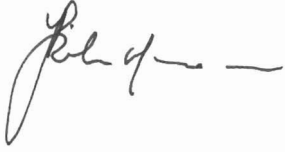
⁵ As set out in Standard Condition 9(1) of the Gas Transporters Licence, see: http://62.173.69.60/document_fetch.php?documentid=4311

⁶ The Authority's statutory duties are wider than the relevant objectives and are detailed mainly in the Gas Act 1986.

⁷ In the Gas Forum's iGT workgroup

Decision notice

In accordance with Standard Condition 9 the Gas Transporters Licence, the Authority, hereby directs that modification proposals ESPC Network Code 048: LMN AQ Updates – Rejection resolution, be made.

A handwritten signature in black ink, appearing to read 'Sarah Harrison', followed by a horizontal line.

Sarah Harrison
Managing Director, Corporate Affairs

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