

Modification proposal:	East Surrey Pipelines Ltd (ESP) Network Code 123, East Surrey Pipelines Networks Ltd (ESPN) Network Code 123, ESP Pipelines Ltd (ESPP) Network Code 123: LMN AQ Updates Reporting Requirements		
Decision:	The Authority ¹ decided to reject this proposal		
Target audience:	Parties to the ESP, ESPN, ESPP Network Code and other interested parties		
Date of publication:	26 January 2006	Implementation Date:	Not applicable

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, iGTs² 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 083³ 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 ESP/ESPN/ESPP114⁴, which placed obligations (in respect of data provisions) outlined in the CSEP NEXA into the iGT's respective Network Codes.

The modification proposal

The modification proposals ESP/ESPP/ESPN123, seeks to build upon ESP/ESPN/ESPP114 by introducing a requirement in the respective iGT Network Code, to notify the relevant CSEP User (shipper) of specific reporting information. The proposal seeks to introduce this requirement as an appendix to Section F of the ESP, ESPN and ESPP Network Codes.

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 See UNC Section A 3.3.1 for full definition

³ 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)'

⁴ http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/17505_ESP,ESPN,ESPP_114_D.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/gasgovernance

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 ESP/ESPN/ESPP 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 and ESPP Network Codes⁵.

Reasons for the Authority's decision

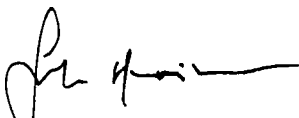
We note that ESP, ESPN and ESPP received three responses to the consultation, two of which were in favour and one opposed. We also note that ESP, ESPN and ESPP did not recommend implementation of this proposal.

We have sympathy with the intent of the proposal and consider that shippers should have greater visibility of the data that is critical to their business, such as that relating to portfolio movements. However, it is not clear how this proposal will, of itself, contribute to the furtherance of the relevant objectives. We note also the concern of the shipper who was opposed to the implementation of this proposal and stated that it is not clear how these additional reports will be used and precisely what benefits they will give shippers. They also raised concerns over the justification for any additional costs.

We are concerned that absent agreement of what reporting regime shippers would like to see in place, iGTs may be requested to implement various ad hoc reports, all aimed at achieving the same end goal. This would have cost implications and be potentially detrimental to the relevant code objectives.

ESP/ESPP/ESPN has raised concerns that the information being required under this proposal is not consistent with what they themselves receive from xoserve. We would share their concern, to the extent that the obligations around data provision may not be complementary across the various agreements and therefore may not practicably be backed off. We recognise that the inter-relationship between the iGT Network Code, the CSEP NEXA and xoserve, via the UNC, remains a cause of concern for shippers and we would welcome a more holistic review of this.

We also consider that the details of such reports should suitably have a degree of flexibility, adapting to the changes requirements of parties etc. Inclusion of this report with the main body of the Network Code, albeit as an Annex to Section F, would require that any future changes to it, no matter how significant, would require the approval of the Authority. We do not consider this to be appropriate.



Sarah Harrison
Managing Director, Corporate Affairs

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

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