

Modification proposal:	<b>IPL024 and QPL024: Obligations to provide complete, timely and accurate data updates to Large Transporters where Nested CSEPs exist</b>		
Decision:	<b>The Authority<sup>1</sup> directs that this proposal should not be made.<sup>2</sup></b>		
Target audience:	<b>IPL, QPL, Parties to the IPL and QPL Network Codes, and other interested parties</b>		
Date of publication:	<b>29 March 2007</b>	Implementation Date:	<b>N/A</b>

## Background to the modification proposal

The relationship between the Gas Distribution Networks (Large Transporters) and the iGTs is governed by a series of Connected System Exit Point (“CSEP”) Network Exit Agreements (“NEXA”). A Shipper which has arranged for gas to exit the system of the Large Transporter 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 GT 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 iGT 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 iGT 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

The 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. A downstream iGT forming part of the Nested CSEP would be obligated to update the upstream iGT with complete, timely and accurate data updates.

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:

- ◆ Weekly Logical Meter Number Annual Quantity (LMN AQ) Updates (in accordance with the annual review processes),
- ◆ LMN AQ values resulting from the performance of an AQ review,
- ◆ Industrial and Commercial reconciliation volumes, and
- ◆ Shrinkage values.

<sup>1</sup> The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup>This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

## **The Authority's decision**

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 15 February 2007. The Authority has considered and taken into account the responses to GUC's consultation on the modification proposal.

The Authority has concluded that implementation of the modification proposal will not better facilitate the achievement of the relevant objectives of GUC's Network Codes.<sup>3</sup>

## **Reasons for the Authority's decision**

The obligation to provide timely and accurate data plays an important part in ensuring an accurate balancing and reconciliation mechanism. In this respect, we recognise the views of some respondents that the data which is the subject of this modification proposal 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.

However, the iGT network codes which are the subject of this proposal are contracts between a specific iGT and the shippers active on its network. In this respect we do not believe that it would be appropriate 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. In particular, it would not be appropriate to attempt to obligate downstream iGTs to provide the upstream iGT with appropriate data given that those iGTs will not be party to the code in which the obligation would reside. 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, such as the NEXA. As such, the duplication of the NEXA provisions in the network code is unlikely to solve the problems associated with the data transfers. 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).

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, the question of how an obligation owed to the Large Transporter by virtue of the CSEP NEXA could be monitored and enforced through a unified code, would need to be considered.

Although we have decided to reject this proposed amendment we would like to note that the final modification report contained proposed legal text which was a reproduction of legal text from a similar modification to another iGT's Network Code. As such it may not have been appropriate for us to direct the implementation of this text to the IPL and QPL network codes even if we had agreed with the intent of the modification.

**Mark Feather**  
**Associate Director, ICL**



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

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<sup>3</sup> As set out in Standard Condition 9(1) of the Gas Transporters Licence, see [http://62.173.69.60/document\\_fetch.php?documentid=4311](http://62.173.69.60/document_fetch.php?documentid=4311)