

Modification proposal:	IPL028/QPL028: Logical Meter Number (LMN) AQ Updates- Rejection Resolution		
Decision:	The Authority¹ directs that each of these modifications be made²		
Target audience:	IPL, QPL, Parties to the IPL/QPL Network Codes and other interested parties		
Date of publication:	26 April 2007	Implementation Date:	To be confirmed by IPL/QPL

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").

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 and produce CSEP Transportation Invoices for 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 Approved UNC Modification 083⁴ obliges 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 Modifications IPL/QPL 18⁵, which placed obligations (in respect of data provisions) outlined in the CSEP NEXA into the IPL/QPL 18Network Code.

The modification proposal

The modification proposal IPL/QPL 28, seeks to build upon IPL/QPL 18 by introducing specific timescales, by rejection reason, for the resolution by iGTs of 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 March 2007. The Authority has considered and taken

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 \(NEXA\)'](#)

⁵ UNC Modification Proposal 018: Independent Gas Transporters (iGT) obligations in respect of data provision to Large Gas Transporters – Supply Point Classification.

into account the responses to the IPL/QPL consultation on the modification proposals which are attached to the FMR. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the IPL/QPL Network Codes⁶; and,
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁷.

Reasons for the Authority's decision

We note that IPL/QPL received three responses to the consultation. One respondent provided comments, one respondent was opposed to the modification proposal, whilst another respondent expressed support for the modification proposal.

In general, the respondent who supported the modification proposal considered that the modification would provide;

- communication in connection with LMN AQ update rejections to Shippers within 5 business days of the Large Transporters receiving it;
- provide visibility to LMN AQ updates; and
- would allow the identification of errors present in the data.

The GT, who was opposed to the modification proposal, considered that it was neither reasonable nor achievable to require iGTs to respond to the rejections within 2 business days of their receipt. The GT also considered that the rejection codes are an operational issue between the Larger Transporter and the Pipeline Operator and as such not an appropriate subject for a Code, which relates to matters between the Pipeline Operator and Pipeline Users. The GT also considered that the data sent to xoserve will not provide Pipeline Users with any intelligence with regard to the accuracy of the data.

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 impacts beyond the two parties contracted to the CSEP NExA agreement, particularly upon the shippers.

We note the GT's concern with regards to responding to rejections within 2 business days of their receipt, however we consider that this modification is an improvement to the current baseline. In addition, we note that any party that is a signatory to the code could have raised an alternative to this modification proposal to address their concerns and can make further improvements to the arrangements as they see fit.

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

⁶ As set out in Standard Condition 9(1) of the Gas Transporters Licence, see: http://62.173.69.60/document_fetch.php?documentid=4311

⁷The Authority's statutory duties are wider than the relevant objectives and are detailed mainly in the Gas Act 1986.

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 consistent with Ofgem's principal objective to protect the interests of consumers, wherever appropriate by promoting competition.

Decision notice

In accordance with Standard Condition 9 the Gas Transporters Licence, the Authority, hereby directs that modification proposals IPL/QPL 28: LMN AQ Updates – Rejection Resolution, be made.



Mark Feather

Associate Director, ICL

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