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value for all customers*

Direct Dial: 020-7901-7355

19 July 2006

The Joint Office, Transporters,  
Shippers and other interested parties

Our Ref: NET/COD/MOD/0075

Dear Colleague,

**Notice and Direction in relation to Uniform Network Code modification proposal 0075: "Proposal to amend Annex A Part 8 of the Connected System Exit Point (CSEP) Network Exit Agreement (NExA) by replacing the current version of the AQ Table with a revised Table to account for movements in AQ values as a result of the AQ Review 2004/05."**

Ofgem<sup>1</sup> has considered the issues raised in the modification report<sup>2</sup> in respect of modification proposal 0075: "Proposal to amend Annex A Part 8 of the Connected System Exit Point (CSEP) Network Exit Agreement (NExA) by replacing the current version of the AQ Table with a revised Table to account for movements in AQ values as a result of the AQ Review 2004/05."

The UNC Modification Panel (the Panel) recommended to the Authority that modification proposal 0075 should be approved.

Having considered the modification report and the Panel's recommendation, as well as having regard to the Relevant UNC Objectives<sup>3</sup> and Ofgem's wider statutory duties,<sup>4</sup> the Authority has decided to direct a modification to the UNC in line with modification proposal 0075.

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<sup>1</sup> Ofgem is the office of the Authority. The terms "Ofgem" and "the Authority" are used interchangeably in this letter.

<sup>2</sup> This report can be found on the Gas Transporters Information Service at: <https://gtis.gasgovernance.com>

<sup>3</sup> The UNC Objectives are contained in Standard Special Condition A11 of the Gas Transporters licence, which can be viewed at: [http://62.173.69.60/document\\_fetch.php?documentid=6547](http://62.173.69.60/document_fetch.php?documentid=6547)

<sup>4</sup> Ofgem's statutory duties are wider than the matters that the Panel must take into consideration and are explained in sections 4AA – 4B of the Gas Act 1986.

This letter explains the background to the modification proposal, and sets out the Authority's reasons for its decision. This letter constitutes notice by the Authority under section 38A of the Gas Act 1986.

## **Background**

To facilitate the calculation of domestic transportation charges iGTs (Independent Gas Transporters) are required to adopt the AQ values present within the NExA AQ Table.

As with Large Gas Transporters under the Uniform Network Code, Annex A, Part 1 of the NExA requires iGTs to undertake an AQ Review for all Larger and Smaller Supply Points. The timescales and processes for compliance are identical.

Analysis of the AQ values within these tables is carried out following each AQ Review to ensure that they remain fit for purpose and a reasonable estimate of the value of gas consumed in accordance with house type and location.

A revised AQ table including new AQ values has been produced following discussion between iGTs and Shippers at the Gas Forum iGT Workgroup.

## **The modification proposal**

This modification proposal seeks to replace the existing AQ Table with that which has been updated with AQ values which more accurately reflect gas consumption based on property type and geographical location.

## **Respondents' views**

Representations were received from four organisations. All the respondents supported implementation of the proposal.

## **UNC Modification Panel's recommendation**

The UNC Modification Panel (the Panel) recommended to the Authority that modification proposal 0075 should be approved.

## **Ofgem's view**

Ofgem shares the view that inaccuracies in the AQ Values in the NExA may expose Users to the misallocation of energy volumes. Ofgem also considers that implementation of the proposal would better secure competition by minimising the instances of inequitable allocation of charges owing to the misallocation of energy volumes. The presence of the AQ values in the UNC will better enable those values to be updated to reflect the inevitable changes.

### **The Authority's Direction**

For the reasons set out above, the Authority directs National Grid Gas plc (NGG) to make the modification as set out in the modification report in accordance with Condition A11.15(b) of NGG's Transportation Licence.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

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

**Nick Simpson**

**Director, Industry Codes and Licensing**

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