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value for all customers*

Direct Dial: 020-7901-7355

24 August 2006

The Joint Office, Transporters,
Shippers and other interested parties

Our Ref: NET/COD/MOD/D083

Dear Colleague,

Uniform Network Code (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)'.

The Gas and Electricity Markets Authority (the "Authority"¹) has considered the issues raised in the Modification Report² and representations made in respect of Modification Proposal 083.

The UNC Modification Panel (the Panel) recommended to the Authority that Modification Proposal 083 should be approved.

Having considered the Modification Report, representations from the industry and the Panel's recommendation, as well as having regard to the Relevant UNC Objectives³ and Ofgem's wider statutory duties,⁴ the Authority has decided to direct a change to the UNC in line with Modification Proposal 083.

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.

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

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

³ The Relevant UNC Objectives are contained in Standard Special Condition A11 of the Gas Transporters Licence and can be viewed at: http://62.173.69.60/document_fetch.php?documentid=6547

⁴ 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.

Background

A Connected System Exit Point (CSEP) is a point where gas may flow out of the relevant GTs⁵ system, for instance into the network of an independent GT (iGT).⁶ Shippers who have arranged for gas to exit the system at such points are known as CSEP Users.

Whilst the relationship between the CSEP User and each GT is governed by the relevant Network Code, the relationship between the relevant GT and an independent GT (iGT) is managed through a separate document known as the CSEP Network Exit Agreement (NExA). Under the terms of the CSEP NExA iGTs must, amongst other things, submit timely updates to relevant GTs in order to allow them to:

- Calculate output quantities,
- Calculate the proportion of transportation costs relating to relevant GTs,
- Facilitate the reconciliation of Larger Supply Points, and
- Perform an Annual Quantity (AQ) Review for all Larger and Smaller Supply Points.

Although the contractual terms of the CSEP NExA outline, in certain circumstances, the timing and method for provision of data and the responsibilities of each party involved, there is currently no direct requirement within the UNC for relevant GTs to process this data.

The Modification Proposal

The intention of this Modification Proposal is to insert into the UNC a requirement for relevant GTs to process certain data received from iGTs in a timely manner. The data items in question and the associated timescales against which they should be progressed by the relevant GTs are:

Supply Point Classification

Relevant GTs should be required to keep iGTs informed in a timely manner of the development of End User Categories (EUC) for each Gas Year for which they are applicable. All Logical Meter Number (LMN) AQ updates (as a consequence of AQ Review) must be sent by individual iGTs to relevant G by the 10th business day prior to 1 October in each year. It is proposed that relevant GTs should be obliged to process the resulting data received within 2 Business Days of receipt.

AQ Updates

iGTs are required to perform LMN AQ Updates on a weekly basis. It is proposed that relevant GTs should be required to validate data received and either reject or process the data received within 2 Business Days of receipt. No amendment to the frequency and timing of these updates would be permitted without prior consultation with CSEP Users and approval by Ofgem, via the UNC Modification process.

I&C NDM Reconciliations

On each occasion when a Valid Meter Reading is received by the iGT (in respect of a larger NDM Supply Meter Point) within 30 days of such receipt, the iGT is obliged to

⁵ Those GTs subject to Standard Special Condition A11 of the GT licence and Party to the UNC

⁶ See UNC Section A 3.3.1 for full definition

inform relevant GTs of the corrected volume in m3 (calculated by use of the Valid Meter Reading) for an identified period of time. It is proposed that following the receipt of corrected volumes from iGTs, relevant GTs should be obliged to acknowledge receipt of data received within 2 Business Days of receipt.

Respondents' views

Five responses were received to the consultation on Modification Proposal 083, all of which were in favour of implementation. Of these, two highlighted the problem which they perceived to exist in the current market rules dealing with information about customers on iGT networks. They suggested that although this Modification Proposal would not of itself solve those problems, it was an appropriate initial step in improving data quality. One respondent stressed the value to distribution businesses in processing information relating to offtake from their networks.

Two other parties focussed on the propriety of ensuring that provisions relating to the timing or frequency of logical meter number AQ updates cannot be changed without consultation with CSEP Users.

One respondent perceived that there were a number of defects with the legal text provided in relation to Modification Proposal 083. The respondent also highlighted that the Modification Proposal should be considered in conjunction with the Modification Proposals raised by Scottish Power in respect of the iGT Network Codes.

UNC Modification Panel's recommendation

The UNC Modification Panel recommended that Modification Proposal 083 should be approved.

Ofgem's view

This Modification Proposal deals with data which flows from the iGTs toward the relevant GTs, as a result of the obligations under the CSEP NExAs. We note that there are outstanding complementary modification proposals to the iGT Network Codes. Although the current market arrangements provide for how and when certain data should be provided, we consider they are deficient to the extent that there is no direct reference about how that information should be subsequently dealt with. The introduction of provisions into the UNC requiring relevant GTs to acknowledge the receipt of certain data received from iGTs and which provides that the relevant GTs must then process and validate that data in a timely manner will better facilitate the achievement of Relevant Objectives (a) and (b).

As this modification makes proposals to amend the frequency or timing of the LMN AQ Updates (which are required from the Connected System Operator) subject to UNC Modification Procedures, Ofgem considers that this will be an improvement on the current arrangements. However Ofgem also notes that the obligations will need to be kept under review as the complimentary iGT Mods mentioned above come up for consideration and decision by Ofgem.

We note that during the development of this Modification a number of concerns were raised with respect to the legal text associated it, specifically with regard to the processing of I&C values and the definition of certain terms in the legal text. We are aware that some of these concerns remain outstanding, though we do not consider that they are sufficiently material to warrant the rejection of this Modification Proposal, particularly as Parties may address any residual concerns via the modification procedures, should they consider it necessary and appropriate.

The Authority's Direction

For the reasons set out above, Ofgem directs the relevant GTs to make the modification as set out in the modification report in accordance with Standard Special Condition A11.15(b) of their GT 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