

Modification proposal:	Uniform Network Code (UNC) 226: Additional data requirements for the Administration of CSEP Supply Points (UNC226)		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	29 December 2008	Implementation Date:	To be confirmed by the Joint Office

Background to the modification proposal

Independent Gas Transporters (IGTs) are responsible under Annex A of the Local Distribution Zone (LDZ) Connected System Exit Point (CSEP) Network Exit Agreement (NExA) for passing Supply Point related data to Gas Distribution Network operators (GDNs). The electronic file formats relating to this activity are contained within Annex A of the LDZ CSEP NExA.

Provisions of the CSEP NExA which are entirely between the GDN and the IGT can be amended on a bi-lateral basis; the latter being referred to in the context of the UNC as the Connected System Operator. However, changes to the provisions which are relevant to shippers are precluded by Section J 6.4 'Amendment of Network Exit Provisions' of the UNC, unless they have been approved by all shippers who use that connected system, or where the modification rules (under either the GDN's or IGT's UNC) have been followed.

UNC review group 157: '*Review of iGT Settlement and Reconciliation Arrangements*' was established in order to identify the possible cause(s) of a large discrepancy between the numbers of Supply Points registered on iGT and GDN systems. Such a discrepancy may lead to, amongst other problems, an under allocation of gas to the CSEP and therefore under billing of those CSEP Supply Points, and a commensurate increase in the amount of gas being settled through Reconciliation by Difference (RbD), the costs of which are smeared across Small Supply Points connected to the GDNs.

Whilst some of the specific causes of the mismatch in Supply Point records, such as inappropriate validation routines or differences in the timelines for processing such data have been tackled through modifications such as UNC200³, there remain problems in resolving existing cases. This is exacerbated by the absence of a unique data item which is constant throughout the lifecycle of the Supply Point and utilised by both iGTs and GDNs.

Following discussions at the UNC157 Review Group, a voluntary trial was initiated, whereby the iGTs would populate their files with an additional GDN reference number. Should there be a subsequent problem with that file, which would historically have led to a further discrepancy, the GDNs agent xoserve would now be able to conduct a manual check and match the records.

Modification Proposal

Following successful results from the voluntary trial and in order to realise the full benefits of this approach, this modification proposal seeks to mandate the use of the GDN reference within the iGTs submissions to xoserve. They will also identify the

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 UNC200: 'Introduction of a Date Tolerance to Facilitate the Processing of Individual Meter Point Reconciliation at LDZ CSEPs'

relevant LDZ and whether or not they are a lead of 'nested' CSEP. A nested CSEP is connected to another upstream iGT rather than a GDN. This proposal will not lead to a modification of the UNC itself, but to Annex A of the CSEP NEXA.

UNC Panel⁴ recommendation

At its meeting held on 20 November 2008 the UNC modification panel unanimously voted to recommend that UNC226 be implemented.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 20 November 2008. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR⁵. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC⁶; 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 of the seven responses to the Joint Office consultation on this proposal six were fully supportive of its implementation. The last respondent offered qualified support only, on the basis that they had yet to see the validation rules and file formats associated with this change. We agree that this inclusion of this information as part of the consultation would have been helpful, but do not consider that it detracts from the benefits of the proposal, and can be further discussed between parties.

A common theme amongst respondents was that charges that will be incurred by Shippers will be more cost reflective in respect of the consumption at Supply Points for which they are the Registered User, and therefore better facilitate effective competition. We agree that the reduction if not removal of the discrepancies between GDN and iGT recorded Supply Points will increase the accuracy of cost allocation and remove what is in effect a cross subsidy between GDN and iGT connections. This increased accuracy of gas allocations will allow efficient shippers to manage their costs more effectively and therefore better facilitate relevant object (d), *the securing of effective competition between relevant shippers and between relevant suppliers.*

On the basis that this proposal will improve the communications between iGT and GDNs, we also agree with those respondents who suggested that the implementation of this proposal will better facilitate relevant objective f), *so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.*

⁴ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

⁵ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

⁶ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547

⁷ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC226: *'Additional data requirements for the Administration of CSEP Supply Points'*, be made.

A handwritten signature in black ink, appearing to read 'M. Frerk', is positioned below the text. The signature is written in a cursive style with a large initial 'M'.

Maxine Frerk

Director, Governance, Consumer & Social Affairs

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