

Modification proposal:	Uniform Network Code (UNC) 481: Amendment to AQ Values Present Within Annex A of the CSEP NExA AQ Table Following the 2013 AQ Review (UNC481); and		
	Independent Gas Transporter Uniform Network Code (iGT UNC): Amendment to AQ Values Present Within the CSEP NExA AQ Table Following the 2013 AQ Review (IGT060)		
Decision:	The Authority ¹ directs that UNC481 and iGT060 be made ²		
Target audience:	The Joint Office, Genserv, Parties to the UNC, the iGTUNC and other interested parties		
Date of publication:	23 May 2013	Implementation date:	1 October 2014

Background to the modification proposals

Independent Gas Transporters (iGTs) are required to adopt the Annual Quantity (AQ) values set out in the Connected System Exit Point (CSEP)³ Network Exit Agreement (NExA)⁴ table (the AQ Table), for the purposes of calculating domestic transportation charges. The AQ values set out in the AQ Table represent an estimate of the annual quantity of gas consumed in accordance with the property type and geographical location⁵.

Any new domestic premises on an iGT network will be allocated an AQ from the AQ Table. This AQ is used to calculate transportation charges in respect of the iGT network, and the initial energy allocation and transportation charges in respect of the Gas Distribution Network (GDN). The AQ Table is published in both the Uniform Network Code (UNC) and in the iGT UNC and is periodically revised. The iGT charges to supply points connected since 1 January 2004 are subject to a relative price control (RPC⁶), broadly linking them to the equivalent charges that would be levied by a GDN.

Whilst the review of AQs was previously ad hoc, in line with the recommendations of iGT Review Group 030⁷ a revised table of AQ values is now produced each year. However, there is currently no requirement for the values contained in the revised table to be adopted for billing purposes and no automatic mechanism to reflect them within the CSEP NExA⁸.

The table produced following the 2013 AQ review contains values that are, on average, 7.6% lower than those within the prevailing CSEP NExA. The CSEP NExA was last updated in 2012 as a result of UNC328 and iGT040V, using data from the 2010 AQ Review.

The modification proposal

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 An iGT is referred to in the context of the UNC as the Connected System Operator.

⁴ The NExA sets out the technical and operational conditions for the connection point. The NExA is agreed between a large Gas Transporter and an iGT and/or Shipper.

⁵ Property types range from one bedroom to six bedroom properties. Locations are split into South, Average, and North.

⁶ Further information on the calculation of price caps under the RPC is available on the Ofgem website, www.ofgem.gov.uk/Networks/GasDistr/IGTReg/Documents1/10068-RPCguidance.pdf

⁷ iGT030: 'Review of CSEP NExA AQ Table values'

⁸ iGT053: 'Introduction of annual updates to the AQ values within the CSEP NExA table' seeks to ensure that the AQ table is automatically updated in line with the output of the annual review.

UNC481 and the corresponding modification iGT060 were both raised by SSE (the Proposer). They propose to revise the AQ Table contained within the CSEP NExA, which is also replicated in iGT UNC Section CI.

The Proposer considers that revision of the AQ Table would reflect more accurate AQ values, which are now typically lower, reflecting reduced consumer demand and improved energy efficiency measures.

UNC and iGT UNC Panel⁹ recommendations

At its meeting of 17 April 2014 the UNC Panel voted unanimously in favour of UNC481 being implemented.

The iGT UNC Panel voted unanimously to recommend the implementation of iGT060 at its meeting on 16 April 2014. The iGT UNC Panel also voted unanimously that if accepted, iGT060 should be implemented on 1 October 2014.

The Authority's decision

The Authority has considered its statutory duties and functions in reaching its decisions. The Authority has considered the issues raised by the UNC and iGT UNC modification proposals and Final Modification Reports (FMRs) dated 17 April 2014 and 22 April 2014 respectively. The Authority has also considered and taken into account the responses to the Joint Office and Gemserv consultations on the modification proposals which are attached to the FMRs¹⁰. The Authority has concluded that:

1. Implementation of UNC481 and iGT060 will better facilitate the achievement of the relevant objectives of the UNC and the iGT UNC¹¹; and
2. Directing that UNC481 and iGT060 be made is consistent with the Authority's principal objective and statutory duties¹².

Reasons for Authority decision

We agree with both the UNC and iGT UNC Panel that these proposals should be considered against relevant objective (d) of both codes, (the securing of effective competition), and are neutral with regards to the other objectives.

Relevant Objective (d): The securing of effective competition between Shippers

The four respondents to the Joint Office consultation supported the implementation of UNC481. Gemserv also received four¹³ responses to its consultation. However, two of the respondents to iGT060 qualified their support on the basis that they did not agree with the proposed 1 September 2014 implementation date. We note that the iGT UNC Panel has subsequently agreed that the implementation date should be 1 October 2014 and that those two respondents voted in favour of its implementation.

⁹ The iGT UNC Panel and the UNC Panel are established and constituted from time to time pursuant to and in accordance with the iGT UNC Modification Rules and the UNC Modification Rules respectively..

¹⁰ The modification proposals, modification reports and representations for the UNC can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com and for the iGT UNC can be viewed on at www.igt-unc.co.uk

¹¹ iGT UNC relevant objectives are set out in Standard Condition 9 of the Gas Transporters Licence, whereas the UNC relevant objectives are set out in Standard Special Condition A11(1). Both are available on the Ofgem website at: <http://epr.ofgem.gov.uk>

¹²The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

¹³ One of which was received too late for inclusion within the FMR but was published on the iGT UNC website.

Another respondent suggested that should these proposals be accepted, the revised values should be implemented the day after our decision. They noted that the AQ Table values are the result of the previous year's analysis and that any delay will result in more supply points being connected and charged at a higher rate. We have sympathy with this view. However, as part of our earlier decision on UNC381/iGT040V (which last updated the tables) we concluded that a sufficient implementation lead time should be allowed in order to accommodate the potential impact on construction developments which are underway but not yet connected.

All of the respondents who specifically commented on the relevant objectives considered that they would better facilitate effective competition by improving the accuracy of energy and cost allocation to Shippers.

We support the proposed revision of AQ values to increase their accuracy, particularly given that the current values are now several years old. The accuracy of the values in the AQ Table should contribute to iGTs being able to levy more cost-reflective transportation charges. This would improve competition by providing Shippers with charges that are cost reflective. We therefore consider that the modification will better facilitate relevant objective (d) of both the UNC and iGT UNC.

Decision notice

The Authority hereby directs that:

- UNC481: '*Amendment to AQ Values Present Within Annex A of the CSEP NExA AQ Table Following the 2013 AQ Review*' be made, in accordance with Standard Special Condition A11 of the Gas Transporters Licence; and
- iGT060: '*Amendment to AQ Values Present Within the CSEP NExA AQ Table Following the 2013 AQ Review*' be made, in accordance with Standard Licence Condition (SLC) 9 of the Gas Transporter licence.

Rob Church

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