

Modification Report
Obligations to process data received from iGTs in line with requirements within
Annex A of the CSEP NExA
Modification Reference Number 0173
Version 3.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

The legal text in respect of UNC Modification Proposal **0083 " 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)"**, that was implemented on 1 October 2006, does not accurately reflect the nature and intention of the original Proposal.

Management of the large Transporter and iGT relationship is governed by the Connected System Exit Point ("CSEP") Network Exit Agreement ("NExA"), with the relationship between the CSEP User and the appropriate Gas Transporter governed by the relevant Network Code. iGTs are required under the terms of the CSEP NExA to submit timely updates to large Transporters to allow them to calculate output quantities, the proportion of transportation costs relating to large Transporters, to facilitate the reconciliation of Larger Supply Points as obliged under the terms of the UNC and to perform an 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, no direct reference to the requirements to process this data existed, prior to the implementation of Modification Proposal 0083, within the UNC. The intention of Modification Proposal 0083 was to insert into the UNC requirements for the processing of data received from iGTs in a timely manner.

The concerns that the Transporters have with the current text are:

- (6.5.4(c)) - It is appropriate to clarify the level of 'validation' applied by large Transporters which consists of checking for compliance with appropriate file formats and checking that aggregate AQ values are within each CSEP development's maximum AQ level. No further validation is performed, for example as to whether the appropriate AQ has been registered against the correct User. The level of validation certainly is less than that afforded to directly connected Supply Points and therefore the definition contained within 6.5.5(c) is not correct. xoserve, as the Transporter Agent, have continued to apply current levels of validation of CSEP AQ update and AQ Review data.
- (6.5.4(d)) - the requirement for large Transporters to acknowledge receipt of information in respect of AQ review data and AQ update data within two Business Days in writing was not in the Proposal and it is therefore not appropriate to be included in the legal text. Such

acknowledgments are not and have never been previously issued. The Transporters have not instructed xoserve, as the Transporter Agent, to issue such acknowledgements.

- The text does not detail the requirement for large Transporters to acknowledge receipt of I&C NDM reconciliation corrected volumes within 2 Business Days of receipt. This was specified within Modification Proposal 0083 and is therefore required to be reflected in the legal text. Since implementation xoserve have been instructed to acknowledge receipt of I&C CSEP reconciliation volumes, aligned with the intent of Modification Proposal 0083.

Modification Proposal 0083 and this subsequent Proposal only applies to Unmetered CSEPs connected to the LDZ Distribution Networks, this has also been clarified within the legal text.

Suggested Text

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION J – EXIT REQUIREMENTS

Delete existing paragraphs of UNC TPD Section J6.5.4 to J6.5.6 and replace them with the following:

6.5.4. Where:

- (a) a Connected Offtake System is a pipeline system;
- (b) the Connected System Operator is another gas transporter; and
- (c) the relevant CSEP is Unmetered;

the provisions of paragraphs 6.5.5 to 6.5.7 shall apply.

6.5.5. The Transporter will:

- (a) in respect of each Gas Year, keep the Connected System Operator informed in a timely manner of the development of the End User Categories applicable to the Connected Offtake System;
- (b) subject to the Transporter receiving Annual Data from the Connected System Operator by no later than the 10th (tenth) Business Day prior to 1st October in each year, validate the same and where validation is passed, update its records with such Annual Data by the 2nd Business Day following receipt so as to ensure that such updates take effect and are used for the purposes of the Code with effect from 1st October in that year;
- (c) validate AQ Weekly Updates within 2 Business Days of receipt and where validation is passed, update its records and thereafter use such updated records for the purposes of the Code; and
- (d) within 2 Business Days after receipt of Volume Data, acknowledge such receipt to the Connected System Operator.

6.5.6. Any proposal by the Transporter to amend the frequency or timing of the AQ Weekly Updates required from the Connected System Operator, shall be deemed to be a proposal to amend the Transporter's Network Code and shall be subject to the Modification Rules.

6.5.7. For the purposes of paragraphs 6.5.5 and 6.5.6 only:

"Annual Data" means the details which are required to be provided to the Transporter annually by the Connected System Operator pursuant to the provisions of the CSEP Network Exit Agreement and which have resulted from the annual review by the Connected System Operator of the AQs applicable to Supply Meter Points on the Connected Offtake System.

"AQ Weekly Updates" means the updated information required to be provided to the Transporter on a weekly basis by the Connected System Operator pursuant to the provisions of the CSEP Network Exit Agreement relating to End User Categories, numbers of Supply Meter

Points registered to users of the Connected Offtake System and AQs.

"validate" means to check whether electronic communications comply with the requirements of the CSEP Network Exit Agreement;]

"Volume Data" means a volume expressed in Cubic Metres derived by the Connected System Operator from Valid Meter Readings in respect of Larger NDM Supply Points pursuant to the provisions of the CSEP Network Exit Agreement.

For the purposes of the definitions of Annual Data, AQ Weekly Updates and Volume Data only, "Supply Meter Points" and Supply Points shall have the same meanings as in the Code but shall be construed (mutatis mutandis) in relation to the Connected Offtake System. "AQs" "Valid Meter Readings" and "Larger NDM" shall have the same meanings as in the Code but shall be construed (mutatis mutandis) in relation to Supply Meter Points and Supply Points located on the Connected Offtake System.

NB change heading of paragraph 6.5 to "Further Network Exit Provisions and Provisions Relating to Unmetered CSEPs"

2 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of

- (i) *the combined pipe-line system, and/ or*
- (ii) *the pipe-line system of one or more other relevant gas transporters;*

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Processing relevant iGT data in a timely manner will help to ensure that costs are appropriately allocated between Users, and so better facilitate the securing of effective competition between relevant Shippers.

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:

- (i) *between relevant shippers;*
- (ii) *between relevant suppliers; and/or*

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;

The UNC does not reflect the nature or intent of Modification Proposal 0083, implementation of this Proposal will address this and will therefore promote greater efficiency in the implementation and administration of the UNC.

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (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;

Implementation would not be expected to facilitate the achievement of this objective.

3 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

Implementing this proposal should not have any effect on security of supply, operation of the Total System, or industry fragmentation.

4 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

No implications for operation of the system have been identified.

b) Development and capital cost and operating cost implications:

There are no cost implications for Transporters associated with the implementation of this Proposal.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

No direct cost recovery has been proposed.

d) Analysis of the consequences (if any) this proposal would have on price regulation:

No such consequences have been identified.

5 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

The implementation of this Proposal will align the UNC with the processes carried out by xoserve, as the Transporter Agent, and the intent of Modification Proposal 0083; therefore reducing contractual risk for each Transporter.

6 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

No system implications have been identified.

7 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Administrative and operational implications (including impact upon manual processes and procedures)

There are not expected to be any administrative or operational implications for Users as a result of the implementation of this Proposal.

Development and capital cost and operating cost implications

There is not expected to be any cost implication for Users as a result of the implementation of this Proposal.

Consequence for the level of contractual risk of Users

No such consequences have been identified.

8 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

There are no implications arising from implementation of this Proposal on Connected System Operators as it does not contain any proposed amendments to the CSEP NExA.

9 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

Obligations within the UNC do not reflect the nature and intent of Modification Proposal 0083, and are unworkable. The implementation of this Modification Proposal would address this issue.

10 Analysis of any advantages or disadvantages of implementation of the

Modification Proposal

Advantages

The UNC will accurately reflect the nature and intent of Modification Proposal 0083 that was implemented on 1 October 2006.

Disadvantages

No disadvantages have been identified by the Proposer

11 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations were received from the following:

Organisation	Abbreviation	Position
British Gas Trading	BGT	Support
EDF Energy	EDF	Support
National Grid Distribution	NGD	Support
Scotia Gas Networks	SGN	Support
Scottish and Southern Energy	SSE	Support
RWE Trading	RWE	Support
Wales and West Utilities	WWU	Support

Thus, of the seven responses, seven supported implementation.

BGT and NGD within their representations highlight a couple of points in relation to the proposed legal text, these relate to the presence of a square bracket in 6.5.7, and whether the term Supply Point, also under 6.5.7, should be in inverted commas since it refers to a defined UNC term.

12 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

13 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

14 Programme for works required as a consequence of implementing the Modification Proposal

No programme of works would be required as a consequence of implementing

the Modification Proposal.

15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

This Modification Proposal does not require any system or process changes to be made by Transporters, Users or Connected System Operators and can therefore be implemented immediately following approval by the Authority.

16 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

17 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 18 October 2007, of the 9 Voting Members present, capable of casting 10 votes, 10 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

18 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporters now seek direction from the Gas and Electricity Markets Authority in accordance with this report.

19 Text

SECTION J – EXIT REQUIREMENTS

Delete existing paragraphs of UNC TPD Section J6.5.4 to J6.5.6 and replace them with the following:

6.5.4. Where:

- (a) a Connected Offtake System is a pipeline system;
- (b) the Connected System Operator is another gas transporter; and
- (c) the relevant CSEP is Unmetered;

the provisions of paragraphs 6.5.5 to 6.5.7 shall apply.

6.5.5. The Transporter will:

- (a) in respect of each Gas Year, keep the Connected System Operator informed in a timely manner of the development of the End User Categories applicable to the Connected Offtake System;
- (b) subject to the Transporter receiving Annual Data from the Connected System Operator by no later than the 10th (tenth) Business Day prior to 1st October in each year, validate the same

and where validation is passed, update its records with such Annual Data by the 2nd Business Day following receipt so as to ensure that such updates take effect and are used for the purposes of the Code with effect from 1st October in that year;

- (c) validate AQ Weekly Updates within 2 Business Days of receipt and where validation is passed, update its records and thereafter use such updated records for the purposes of the Code; and
 - (d) within 2 Business Days after receipt of Volume Data, acknowledge such receipt to the Connected System Operator.
- 6.5.6. Any proposal by the Transporter to amend the frequency or timing of the AQ Weekly Updates required from the Connected System Operator, shall be deemed to be a proposal to amend the Transporter's Network Code and shall be subject to the Modification Rules.
- 6.5.7. For the purposes of paragraphs 6.5.5 and 6.5.6 only:

"Annual Data" means the details which are required to be provided to the Transporter annually by the Connected System Operator pursuant to the provisions of the CSEP Network Exit Agreement and which have resulted from the annual review by the Connected System Operator of the AQs applicable to Supply Meter Points on the Connected Offtake System.

"AQ Weekly Updates" means the updated information required to be provided to the Transporter on a weekly basis by the Connected System Operator pursuant to the provisions of the CSEP Network Exit Agreement relating to End User Categories, numbers of Supply Meter Points registered to users of the Connected Offtake System and AQs.

"validate" means to check whether electronic communications comply with the requirements of the CSEP Network Exit Agreement;

"Volume Data" means a volume expressed in Cubic Metres derived by the Connected System Operator from Valid Meter Readings in respect of Larger NDM Supply Points pursuant to the provisions of the CSEP Network Exit Agreement.

For the purposes of the definitions of Annual Data, AQ Weekly Updates and Volume Data only, "Supply Meter Points" and "Supply Points" shall have the same meanings as in the Code but shall be construed (mutatis mutandis) in relation to the Connected Offtake System. "AQs" "Valid Meter Readings" and "Larger NDM" shall have the same meanings as in the Code but shall be construed (mutatis mutandis) in relation to Supply Meter Points and Supply Points located on the Connected Offtake System.

NB change heading of paragraph 6.5 to "Further Network Exit Provisions and Provisions Relating to Unmetered CSEPs"

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters