

Modification proposal:	<b>Uniform Network Code (“UNC”) 173: Obligations to process data received from iGTs in line with requirements within Annex A of the CSEP Nexa (“UNC173”)</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	22 November 2007	Implementation Date:	To be confirmed by the Joint Office

## Background to the modification 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 083<sup>3</sup> (“UNC083”) within the UNC on 1 October 2006. The intention of UNC083 was to insert into the UNC requirements for the processing of data received from iGTs in a timely manner.

However, a concern has come to light that the text inserted into the UNC may not accurately reflect the intent of UNC083, or current practice.

## The modification proposal

The large Transporters have provided revised legal text for the UNC which is intended to address the following points:

- Section J 6.5.4(c) – the proposer considers that it is appropriate to clarify the level of validation applied by large Transporters, which consists simply 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 proposer states that the level of validation is less than that afforded to directly connected Supply Points and therefore the definition currently contained within 6.5.5(c) is not correct. They also confirm that xoserve, as the Transporter Agent, have continued to apply

<sup>1</sup> The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

<sup>3</sup> UNC083: ‘Proposal to insert obligations to process data received from iGTs in line with requirements within Annex A of the Connected System Exit Point (CSEP) Network Exit Agreement (NExA)’

current levels of validation of CSEP AQ update and AQ Review data – legal text will therefore reflect this practice;

- Section J 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 part of the UNC083 proposal and should therefore not have been included within the legal text for that modification. Such acknowledgments are not and have never been previously issued. The proposer confirms that Transporters have not instructed xoserve to issue such acknowledgements;
- the UNC083 legal 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. In contrast to above, this was specified within the proposal itself and should therefore have been reflected in the legal text. Notwithstanding this omission, since implementation of UNC083 xoserve have been instructed to acknowledge receipt of I&C CSEP reconciliation volumes, consistent with the proposals intent. It is therefore proposed that the UNC be modified to reflect this practice.

The proposer has confirmed that, as with UNC083, this proposal only applies to un-metered CSEPs connected to the LDZ Distribution Networks, and not to other CSEP types. This has also been clarified within the legal text.

#### **UNC Panel<sup>4</sup> recommendation**

At its meeting held on 18 October 2007, the UNC modification panel voted unanimously to recommend that UNC173 be implemented.

#### **The Authority's decision**

The Authority has considered the issues raised by the modification proposal and the Final Modification Report ("FMR") version 3.0 dated 18 October 2007. 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 FMR<sup>5</sup> and has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC<sup>6</sup>; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>7</sup>.

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<sup>4</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

<sup>5</sup> UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.com](http://www.gasgovernance.com)

<sup>6</sup> 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](http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547)

<sup>7</sup>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.

## Reasons for the Authority's decision

We note that this proposal attracted unanimous support from both the UNC modification panel and respondents to the Joint Office consultation, though iGTs were not amongst though respondents.

Concerns were raised with the original legal text for UNC083 with regard to the processing of I&C values and the definition of certain terms. In accepting UNC083 we noted the concerns with the legal text, though we did not consider that they were sufficiently material to warrant the rejection of the modification, particularly as Parties had the opportunity to address any residual concerns through a subsequent modification proposal. UNC173 now picks up these points, as well as others relating to validation and acknowledgment of receipts, as set out above.

We agree with those Parties who commented that the proposal would further facilitate relevant objective d) *'the securing of effective competition between relevant shippers...'*. To the extent that ambiguities or incorrect text within the UNC reduces Parties' certainty and confidence in the arrangements, imposing additional risk, the correction of such ambiguities and reduction of associated risk may facilitate competition, albeit marginally. More generally, we consider that this proposal will give full effect to the intent of UNC083, which was to ensure that data is transferred between relevant parties in a timely manner. In addition to the efficiency arguments initially set out in the UNC083 decision letter, we also consider that this will further effective competition by ensuring that correct AQs are applied to shippers and therefore that costs are more accurately allocated.

## Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC173: *'Obligations to process data received from iGTs in line with requirements within Annex A of the CSEP Nexa'* be made.



**Mark Feather**

**Associate Director, Industry Codes & Licensing**

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