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*Bringing choice and value  
to customers*

The Joint Office, relevant Gas  
Transporters, Shippers and other  
interested parties

Our Ref: Net/Cod/Mod/UNC292  
Email: industrycodes@ofgem.gov.uk

Date: 30 April 2010

Dear Colleague

**UNC292: 'Proposed change to the AQ Review Amendment Tolerance for SSP Sites' & UNC293: 'Proposed removal of the AQ Review Amendment Tolerance for SSP Sites'**

Following consideration of the request from Scottish Power ('the proposer') that modification proposals UNC292 and UNC293 follow urgent modification procedures, we have today decided not to grant urgent status to either proposal.

We do not consider that urgent status should be granted lightly as this may inhibit the extent to which proposals can be properly developed and assessed. In reaching our decision on granting urgent status we have considered the proposers justification for urgency contained within the modification proposal<sup>1</sup> and the criteria for granting urgent status to a modification proposal, as set out in our published guidelines<sup>2</sup>. For the reasons set out below we do not consider that the evidence supporting these proposals sufficiently satisfy those criteria and therefore do not warrant the dis-application of normal modification procedures.

*The proposal is linked to an imminent date related event;*

The Annual Quantity (AQ) review process currently follows a rigid timetable laid out in the UNC itself. Transporters will therefore be notifying Shippers with Small Supply Points (SSPs) of the Provisional Annual Quantity for each SSP for the coming Gas Year by 31 May 2010. Any requests for amendment of the Provisional AQ for SSPs must subsequently be lodged by 13 August 2010. The proposer suggests that this proposal therefore needs to be implemented by 1 July 2010, in order that those Shippers with SSPs can enjoy the benefit of this modification for this coming Gas Year.

We agree that in these circumstances the pending AQ Review is an imminent date related event for the purposes of our criteria. However, we must also consider whether there will be a significant impact of a modification not being made by that date.

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<sup>1</sup> For details see the Joint office website at: <http://gasgovernance.co.uk/>

<sup>2</sup> <http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/2935-Urgency%20Criteria.pdf>

*There is a real likelihood of significant commercial impact upon GT's, Shippers or Customers if a proposed modification is not urgent;*

As noted by the proposer, the AQ forms the basis of a shipper's transportation charges. Historic concerns over the potential undue manipulation of these values prompted a number of modification proposals. One of these modifications introduced a 'dead band' on SSPs, whereby an amendment would be rejected if it sought to amend the provisional AQ by less than 20%.

The proposer argues that the 20% dead band unduly limits shippers' ability to improve the accuracy of AQ values and as a consequence their exposure to transportation charges.

However, the modification proposals contain little quantitative information upon which to gauge whether pursuing this modification proposal under a normal modification timetable would have a significant commercial impact upon the proposer and other shippers. While we understand there may be a theoretical discrepancy in these volumes for individual shippers, given transportation charges are set based on an allowed revenue it is not clear that AQ volumes will on average impact any particular party more than another.

We also note the comments made at the UNC panel meeting of 22 April 2010 and share the disappointment expressed by some Panel members that the proposal was not raised earlier. The timetable for the AQ review process is clearly set out in the UNC and well known. Further, this area has been the issue of recent discussion in relation to UNC271 which was raised in November 2009.

Despite our decision today we encourage the UNC modification panel to consider carefully whether there is scope for the normal process to be expedited for these modification proposals such that they may still be in a position to be decided upon ahead of the proposers suggested implemented date. In particular, noting that the next scheduled meeting of the UNC is not due to take place until 20 May 2010, we would welcome the initial consideration and determination on onwards progression of these proposals via a postal (email) vote in accordance with paragraph 7.1.2 of the UNC modification rules.

For the avoidance of doubt, in declining this request for urgency, Ofgem has made no assessment of the merits of the modification proposals and nothing in this letter in any way fetters the discretion of the Authority in respect of any future decision.

If you have any queries in relation to the issues raised in this letter, please feel free to email [industrycodes@ofgem.gov.uk](mailto:industrycodes@ofgem.gov.uk).

Yours faithfully,

**Mark Cox**  
**Associate Partner, Industry Codes and Licensing**