

iGT UNC Consultation Response

Date	16 May 2014
Reference	iGT053 DMR Consultation
Title	Introduction of annual updates to the AQ values within the CSEP NExA table
Respondee	Adam Pearce, ES Pipelines
Position on the Modification	Qualified Support

Facilitation of the relevant objectives

How this proposal will, if implemented, better facilitate the “code relevant objectives”, as defined in Standard Condition 9 of the Gas Transporters Licence. For those answered Yes to, please provide a detailed explanation below the table.

<i>Relevant Objective</i>	<i>Yes/No</i>
a. the efficient and economic operation of the pipe-line system to which this licence relates	No
b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters	No
c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence	
d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers	No
e. so far as is consistent with sub-paragraphs (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	
f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition	No
g. so far as is consistent with sub-paragraphs (a) to (f), the compliance with the Regulation* and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	

* Regulation 2009/715/EC of the European Parliament and of the Council of 13 July 2009

Relevant Objectives to be better facilitated:

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Objectives (a) and (b) (not improved)

ESP notes that the proposer (with support from the Workgroup) believed that the implementation of this modification would better facilitate objectives (a) and (b), due to an improvement in the accuracy of planning and design of new pipelines.

There is currently a process for updating the values in the Appendix CI-1 (CSEP NExA table) - that is for parties to submit a modification to the panel to amend the values. This can be done on an annual basis (or more frequently), by any industry party. This objective could be equally met through the existing process for amending the values in Appendix CI-1, if a party would raise a change annually. Therefore, Licensees would see benefits from more accurate AQs, around the planning and design of networks, without the need to introduce a new, ring-fenced change process.

Objective d (not improved)

ESP notes that the proposer (with support from the Workgroup) believed that the implementation of this modification would better facilitate objectives (d), due to improvements in allocation of energy and transportation costs.

ESP's view is that if, as above, a change was raised annually by a code party to amend the values in CI-1 (as the current change process allows), this modification, based on the proposer's rationale, would not improve the competition between suppliers. That said, we believe there has been insufficient evidence provided that competition between suppliers/shippers would be improved. Competition would only be distorted (and marginally) if suppliers portfolios contained differing proportions of iGT sites that haven't yet had a new AQ calculated. Evidence of this has not been provided, therefore it is impossible to say to what degree an annual change (notwithstanding the fact that this is possible under current Appendix CI-1 governance arrangements) would improve competition between shippers.

Objective f (not improved)

Fundamentally, this modification is a change to governance procedures - to introduce a process that sees an annual update to Table CI-1. Whilst ESP understands why the proposer is seeking to ensure an annual change to the AQ values is introduced, it is not the only (nor the simplest) means of achieving this.

During the creation of the iGT-UNC, parties established that Table CI-1 should be contained within the iGT-UNC and subject to its governance arrangements. This is to ensure that its content is protected, and in turn, customers or industry parties are not adversely affected by a sudden or unilaterally agreed change to the values. The iGT's Licence prescribes a number of processes that must be in place, in order for the content of the Code to be modified (reflected in Part L). It is difficult to understand why then, where an existing process exists, allowing for an annual update to the AQ values in line with the process describe in the licence, a new process is required.

Adding a further modification process, ring fenced for a particular section of the code, adds complexity to the implementation and administration of the code. In addition, many parties are not clear on whether a change to the AQ values meets Ofgem's Self-

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Governance Criteria, as a change to the values impacts iGT revenue. The process described in the iGT053 Ancillary Document requires no formal consultation with industry (besides iGT Standing Workgroup and panel discussion) and no Authority Decision. These characteristics are most similar to Fast Track Self-Governance, which is reserved for house-keeping changes to the Code - of which, a change to the Table CI-1 AQ values is not.

Likely impact on environment?

N/A

Implementation issues including impact on your systems

N/A

Additional Information and Comments

Relevant Objectives aside, ESP does not believe that implementing this modification presents risks to iGTs, shippers or consumers that cannot be managed by the respective party. Practically, it is another process that industry parties (potentially, Ofgem included) will be required to understand and follow, in addition to existing Code modification processes, yet given the absence of further risks, so long as the UNC equivalent mod (UNC0497) is also approved, ESP lends its qualified support to the implementation of iGT053.

Completed forms should be returned to the iGT UNC Representative, Gemserv Ltd at iGT-UNC@gemserv.com or faxed to 020 7090 1001