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iGT Modification Proposal iGT022: Remove references to the "Metering Charges Statement" from the iGT UNC

Thank you for your letter of 16th April seeking our view on proposal iGT022 under Section L21 of the Independent Gas Transporter (iGT) Uniform Network Code (UNC).

We understand that at the iGT UNC panel meetings held on 18 March and 15 April the panel was unable to make a determination on whether iGT022 should proceed to consultation or development. In this situation the iGT UNC modification rules require the panel to send the proposal to consultation; iGT022 was therefore issued for consultation on 17 April.

iGT022 proposes to remove all reference to the Metering Charges Statement from the iGT Uniform Network Code and introduce the concept of a commercial "Pipeline Operator's Metering Contract" to be entered into between Pipeline Operators and Pipeline Users. This proposal follows a recent decision by Ofgem that 'the definition of "transportation arrangements" in the GT [Gas Transporter] licence does not include metering'¹. The proposer argues that, in line with this statement, it is inappropriate to continue to include metering provision and charging statements within the iGT UNC. The proposal also inserts a definition into the iGT UNC of the term "Pipeline Operators Metering Contract" which would be a contract between Pipeline Operators and Users dealing with metering arrangements. It is proposed that the contracts will cover the provision and maintenance of meters, the Post Emergency Metering arrangements, prepayment metering and last resort metering.

Whilst we may have sympathy with the intent of the proposal, there are a number of issues with this proposal that we feel need to be addressed. We note the following points, though these are not intended to be exhaustive:

- There does not seem to be any agreement between pipeline operators and Users on exactly what the proposed contracts will cover or when they would come into effect. Whilst the proposer of iGT022 suggested an implementation date of six months from the Authority's direction, we have not seen anything to assure us that alternative arrangements can be in place within this timescale. In the absence of alternative arrangements, the effect of this proposal could be to create a vacuum in

¹ ESP Metering Charges Statement - Decision Letter -
http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Comp/Gas/Documents1/ESP_metering_charges_statement%20open%20letter%20111208.pdf

accountability for metering roles and responsibilities which would ultimately be to the detriment of consumers;

- We also feel that taken as a stand alone modification there is very little to justify the modification against the iGT UNC relevant objectives. We note that the proposer feels that relevant objective (d) would be better facilitated as commercial metering arrangements will enable shippers/suppliers choice over the metering arrangements for their customers. However, the proposal does not of itself appear to achieve this, but merely a cessation of the existing arrangements.
- Whilst the Relative Price Control (RPC) does not reflect the costs of providing metering services, legacy charges continue to reflect a bundled transportation and metering service. We therefore consider there to be a fundamental difference in the arrangements pertaining to RPC and legacy sites which should appropriately be reflected in any proposal in this area. There is currently no distinction made in iGT UNC 022 and this needs to be explored further.

Given the above, we are of the view that this proposal would benefit from further development. Whether this should be a separate development group or could be more efficiently achieved alongside the IGTR009 review group is for the iGT UNC Panel to determine.

If you would like to discuss any aspect of this letter, please feel free to contact either myself or Catherine Wheeler (Catherine.wheeler@ofgem.gov.uk).

Yours sincerely

Jon Dixon
Head of Industry Codes and Licensing