

David Handley  
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SGN

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Date: 20 May 2024

Dear David,

### **Proposed Modifications to SGN's Connection Charging Methodology**

You submitted a revised copy of your Southern and Scotland Gas Distribution Networks ("SGN") Connection Charging Methodology ("CCM") and a report to us<sup>1</sup> on 23 April 2024. You propose to insert a new section into the CCM on Reverse Compressions Network Connections. You also propose to make several administrative updates to your CCM.

Standard Condition ("SC") 4B of your Gas Transporter Licence states that any modification to the CCM can be vetoed by us. On this occasion, we have decided not to veto the modifications you propose to make to your CCM. Our decision is explained below.

### **Background**

SC 4B of your Gas Transporter Licence sets out the obligations for you to put in place and maintain a connection charging methodology. In particular, SC 4B states that you must review the connection charging methodology at least once in every year and make modifications in order to ensure it continues to achieve the relevant objectives<sup>2</sup>.

It also states that any modifications must be submitted to us alongside a report which sets them out, explains why they will better facilitate the relevant objectives<sup>3</sup>, and includes a timetable for implementing the changes. We have a 28-day period starting from the date

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

<sup>2</sup> SC 4B, paragraph 4

<sup>3</sup> The relevant objectives are set out in SC 4B, paragraph 5.

this information is submitted to veto the proposed modification, i.e. to issue a direction to the licensee that the modification shall not be made<sup>4</sup>.

The modifications you propose are described in more detail below.

### **Modifications to SGN Connection Charging Methodology**

You propose to insert a new section 3.12.6 to make it clearer to your customers that Reverse Compressions Network Connections<sup>5</sup> are available to Independent Gas Transporters ("IGTs") and to outline the requirements needed to facilitate such a connection.

You also propose to make several administrative updates to the CCM. You stated that the purpose of these modifications is to bring the CCM up to date and they have no material consequences for your customers. These modifications include:

- updating the examples within section 5 of the CCM to reflect your current charges;
- updating the links in the Introduction to the LRQA Gas Industry Registration Scheme ("GIRS") accreditation site and the link to the Energy Networks Association website in Appendix C;
- updating Appendix A to remove any references that are no longer applicable to the document and add in new definitions as required; and
- removing an inconsistency at the end of section 2.3 regarding self-lay pipes to direct the reader to paragraph 3.17.

In your report, you suggest that the proposed modifications would better achieve relevant objectives (a) and (b). You propose that the modifications will be implemented and take effect on 22 May 2024.

### **Our comments**

We note that the proposed new section on Reverse Compressions Network Connections is to reflect our decision on UNC808. We appreciate your efforts to review the CCM and propose modifications to ensure that it is consistent with relevant modifications made to the UNC. We are content that the proposed modification to the CCM is in line with the requirements of UNC808.

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<sup>4</sup> SC 4B, paragraph 6

<sup>5</sup> This is consistent with Uniform Network Code ("UNC") 808 which enables a Distribution Network Operator ("DNO") and an IGT to enter into a bilateral 'operator to operator' agreement, enabled by the IGT Arrangements Document ("IGTAD") and containing Network Entry Provisions, to allow physical gas to be offtaken from a DNO by an IGT, compressed to a higher pressure, then returned to the same DNO by the IGT, through a process known as reverse compression. Relevant documents, including the Final Modification Report and Ofgem's decision letter, can be found in the following website: [0808 - Reverse Compression | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/0808-Reverse-Compression-Joint-Office-of-Gas-Transporters)

We are also content with the administrative updates you propose to make to the CCM, which should improve its readability.

### **Decision Notice**

In accordance with Standard Condition 4B of the Gas Transporter Licence, the Authority has decided not to veto these modifications to the SGN Connection Charging Methodology.

In the interests of transparency, we will publish this letter on our website.

Yours sincerely

**William Duff**

**Head of Gas Systems and Operation**

Signed on behalf of the Authority and authorised for that purpose