



Independent gas transporters, shippers and
other interested parties

*Promoting choice and
value for all customers*

Our Ref: RFA/IGT/2
Direct Dial: 020 7901 7008
Email: andrew.walker@ofgem.gov.uk

07 December 2004

Dear Colleague,

Publication of the dates for migration of IGT legacy properties into RPC

1. Ofgem concluded its review of the regulation of Independent Gas Transporter (IGT) charges in 2003.¹ The new charging arrangements for IGTs were implemented on 1 January 2004. One of the main outcomes of the review was the introduction of a Relative Price Control (RPC) for new properties connecting to IGT networks. RPC has the effect of capping IGT charges at levels that are broadly consistent with Transco's charges.
2. The final proposals also discussed the migration of legacy IGT properties into the new charging arrangements. It was determined that this migration would occur on a 'revenue neutral' basis, i.e. IGT properties covered by the legacy charging arrangements would move into RPC at a point in time that left each IGT financially no worse or better off. Ofgem's preliminary analysis suggested that migration on this basis might be expected to take place within 10 years.
3. Ofgem completed the review of IGTs' proposals for migrating into the new arrangements earlier this year. This review suggests that in some cases, migration might not take place within the 10 years originally expected. This outcome is constrained by the long-term charging arrangements that have been put in place and by Ofgem's inability to re-open these arrangements. Ofgem's limited powers in this respect were confirmed by legal counsel.
4. For each IGT, Ofgem has now agreed a migration date. This represents the latest date by which IGTs are required to adopt RPC charging arrangements for legacy properties. The migration dates for each IGT are reported in table 1. IGTs may choose to migrate into the RPC arrangements at an earlier date. This decision could be influenced by a number of factors, such as the path of actual charges under RPC and the administrative costs IGTs

¹ *The Regulation of Independent Gas Transporter Charging – Final Proposals*, Ofgem, July 2003.

may incur in continuing to charge under two different approaches. As indicated in table 1, some IGTs have decided to migrate their legacy properties as of 1 January 2004.

Table 1. Latest dates for migrating legacy properties into RPC

IGT	Migration date²
Independent Pipelines (IPL)	2018
Quadrant Pipelines (QPL) ³	2018
British Gas Connections Ltd (BGCL)	2015
Gas Transportation Company (GTC)	2010
ESP Pipelines Ltd ⁴	2018
ESP Networks Ltd ⁴	2018
Utility Grid Installations (UGI)	2020
ES Pipelines	Migrated
SSE Pipelines Ltd	Migrated
Scottish Power Gas (SPG)	Migrated
GTC Pipeline Limited (GPL)	Migrated

Monitoring of IGT charges

5. Ofgem has established new procedures for monitoring and enforcing IGT charges. In view of the likely migration dates for some IGTs, these procedures cover charges levied under the legacy arrangements as well as charges levied under RPC. It is important to ensure that IGTs are levying charges that fully comply with both the IGT licence conditions and any legacy charging approvals issued by Ofgem.
6. If you have any queries in relation to this letter, please do not hesitate to contact Samanta Padalino on 020 7901 7033.

Yours sincerely,



Andrew Walker
Director, Transmission Networks Regulation

² All legacy charges must be migrated before 31 December of respective year.

³ Formerly owned by East Midlands Pipelines.

⁴ Formerly owned by United Utilities.