

Modification proposal:	<b>Independent Pipelines Limited (IPL), Quadrant Pipelines Ltd (QPL)021: A revised IGT AQ Review process</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>		
Target audience:	IPL/QPL Parties to the IPL/QPL Network Code and other interested parties		
Date of publication:	07 February 07	Implementation Date:	To be confirmed by IPL/QPL

## Background to the modification proposal

In June 2003, Ofgem approved several iGT Network Code modifications which introduced an industry agreed iGT AQ Review procedure. This procedure was set out in a separate document, which was referenced within the majority of the iGT Network Codes.

This procedural document was developed by iGTs and Shippers in the Gas Forum AQ sub-group. Subsequent changes and refinements to this document have also been agreed within this sub-group, rather than being subject to Network Code governance procedures.

## The modification proposal

IPL/QPL<sup>3</sup> 021 seeks to introduce a revised [iGT AQ Review Process](#) ancillary document, via a reference within the IPL/QPL Network Codes. In contrast to previous AQ reviews these procedures will be enduring and so will negate the need to raise modification proposals prior to the start of each AQ review in coming years. In addition, these procedures will become subject to Network Code governance, with any future modifications being dealt with under the Network Code modification procedures, rather than by discussion and agreement within the AQ sub-group.

## The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 3 January 2007. The Authority has considered and taken into account the responses to the IPL/QPL's consultation on the modification proposal which are attached to the FMR. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the IPL/QPL Network Codes<sup>4</sup>; and,
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>5</sup>.

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

<sup>2</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

<sup>3</sup> Both the IPL and QPL licences are held by the Inexus Group of companies.

<sup>4</sup> As set out in Standard Condition 9(1) of the Gas Transporters Licence, see Ofgem's electronic Public Register at: <http://epr.ofgem.gov.uk/>

<sup>5</sup> The Authority's statutory duties are wider than the relevant objectives and are detailed mainly in the Gas Act 1986.

## Reasons for the Authority's decision

IPL/QPL received four responses to the consultation; all respondents supported the implementation of these modifications. Respondents generally considered that the modifications would bring consistent governance arrangements across all iGT Network Codes. In addition, one respondent considered that the facility to utilise the consent to modify route to amend (AQ) dates, as opposed to completing the full modification process will better facilitate future AQ reviews.

Ofgem supports the implementation of these modification proposals as a means of updating and improving the iGT AQ Review Process. We believe that it is important to have a comprehensive AQ Review Process for iGTs, since the accuracy of AQ values has a material commercial impact on all Shippers. However, we consider that this proposal will allow the existing process to be adopted as an enduring arrangement, negating the need for successive modification proposals for each annual AQ Review. This has been the case in recent years, due in part to applicable dates being contained within the process documentation. Where future improvements to the AQ Review process are identified (as opposed to simple date changes), we welcome the fact that they will be progressed in accordance with the Modification Rules. We acknowledge the GT's views that the AQ review process has in the past been resource intensive, and in this respect we consider that the modification proposal should reduce the administrative burden and lead to efficiency gains for both IPL/QPL and shippers.

We note the GT's concern that the IPL/QPL Network Codes do not currently recognise Ancillary Agreements, a term which may be more familiar to Users of the Uniform Network Code (UNC), as defined in Section V of that document<sup>6</sup>. Whilst we do not have a strong view on whether the iGT AQ Review process should appropriately be an Ancillary Agreement or not, we would note that modifications to such agreements do not ordinarily follow the Modification Rules, as explained in UNC Section V. We are therefore content that the legal text provided for this modification will reflect the intent of the proposal, i.e. ensuring that further modifications will be subject to the Modification Rules. We also note that this approach is consistent with that taken by other iGTs in implementing the equivalent modification to their own Network Codes.

We note the comment that there is currently no consent to modify process within the IPL/QPL Network Code. We would like to clarify that such a process is provided for by virtue of Standard Condition 9 (7) of the GT licence. Such consents to modify the Network Code are generally issued where the requested modification is relatively immaterial and would not warrant the administrative burden of a full modification process, for instance the correction of typographical errors, general housekeeping etc.

We are disappointed that the timetable originally put forward for the progression of these modification proposals was not adhered to. However, we also understand that absent this, IPL/QPL have been adhering to the process which these modifications sought to put in place. The belated implementation of these modifications will ensure that this remains the case, rather than simply being custom and practice.

Ofgem therefore considers that the implementation of this proposal would better facilitate the relevant objectives of the IPL/QPL Network Code(s), in particular the efficient and economic operation by the licensee of its pipe-line system(s).

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<sup>6</sup> UNC Section V: [http://www.gasgovernance.com/NR/rdonlyres/6CF37A6C-5DAD-45E0-8761-1526FA720001/14765/02\\_21\\_TPDV1.pdf](http://www.gasgovernance.com/NR/rdonlyres/6CF37A6C-5DAD-45E0-8761-1526FA720001/14765/02_21_TPDV1.pdf)

## Decision notice

In accordance with Standard Condition 9 the Gas Transporters Licence, the Authority, hereby directs that modification proposals IPL021 and QPL021: '*A revised IGT AQ Review process*' be made.



**Mark Feather**

**Associate Director, Industry Codes and Licensing**

Signed on behalf of the Authority and authorised for that purpose.