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Dear Jacob,

Re: Independent Gas Transporters' Relative Price Control – Consultation on revising the guidance document and potential changes to Special Condition 1 of the IGT licence.

This response is submitted on behalf of SSE Pipelines Limited (SSEPL). Our response to the detailed questions posed by Ofgem in this consultation is provided in Appendix 1.

Whilst we recognise that there may be minor errors in the drafting of Special Condition 1 of the IGT licence, we have worked with Ofgem, the other IGTs, Shippers and our stakeholders since 2004 on the basis of this drafting without any significant issues. We therefore do not believe that a modification to the licence to correct these minor points is required at this stage.

We believe the proposed modifications to the Guidance documents assist in the interpretation of the licence and do not conflict with our statutory or licence obligations. As the Guidance document is subordinate to the licence, we would be concerned if Ofgem was proposing a change that created a potential conflict with either the licence or our duties under the Act but we do not believe this is the case with the RPC Guidance.

We understand that Ofgem has indicated that it may seek to review the arrangements for IGTs over the coming year. We suggest that a review of the licence condition may be more appropriate after this exercise to ensure that the outcomes of this review and, if required, reflected in the licence going forward.

If you have any further questions in relation to this response, then please feel free to contact me.

Yours sincerely,

Jen Carter
Networks Regulation

Appendix 1: Responses to the questions posed in Ofgem's consultation document

Q.1 Do you agree that it is no longer necessary for us to carry out our current monitoring role of IGT charges under the RPC?

We agree that it is no longer necessary for Ofgem to continue their monitoring of IGT charges under the RPC. We believe Shippers are uniquely placed to monitor charges under the RPC, in order to satisfy themselves that the charges they are incurring in respect of their customers are in accordance with the methodology set out in Special Condition 1 and the associated Guidance and to challenge anything they are uncomfortable with on behalf of their own interests and those of their customers. Since the modification to the IGT version of the Unified Network Code went live in June, Shippers have the information to be able to conduct such monitoring activities and to query any charges they are concerned about.

In the event that any Shippers expressed concerns in relation to our charges under the RPC, we would be keen to address these promptly with the parties affected.

Q.2 Does this change to the guidance make this issue clear?

We believe that the proposed change does address any potential ambiguity in the current drafting of the Guidance.

Q.3 Does the revised guidance provide sufficient clarity or do we need to amend the licence?

We are comfortable with the proposed amendment to the Guidance and do believe that the licence, when read in conjunction with the Guidance, is clear on the intent of paragraph 5(b).

Q.4 Should we proceed with the licence changes (and a full statutory consultation) to address this issue?

Whilst we acknowledge the potential issue highlighted by Ofgem in the consultation document, we do not believe that this has presented us or customers with any material impact since the introduction of the RPC and are therefore unconvinced on the merits of introducing a licence modification on this point.

We understand that Ofgem has indicated that it may seek to review the arrangements for IGTs over the coming year. With the arrangements for IGTs having been in place for the best part of a decade, we believe that such a review is timely and will also allow IGTs, Ofgem and other stakeholders to consider whether the current framework remains fit for purpose and how it may need to evolve to meet future challenges.

We suggest that a review of the licence condition may be more appropriate after this exercise to ensure that the outcomes of this review are, if required, reflected in the licence going forward.

Q.5 Is our intention on this issue clear? If not, what steps should be taken to make this clear?

We believe that Ofgem's intention in relation to the treatment of properties that enter the RPC in quarter 4 of any given calendar year is clear in the original 2003 documentation and the RPC Guidance. We acknowledge that there is potential ambiguity in the licence itself but we believe this is clarified in the Guidance, which is intended to support the licensee in its application of the RPC arrangements.

In the event that there was a clear conflict between the licence and the Guidance, we would advocate a licence modification as a matter of priority. However, we do not believe that this is the case. If Ofgem proceeds with its proposal to rely on Shippers to monitor charges in relation to the RPC, we believe that any inappropriate interpretation of this paragraph would be identified and could be discussed with Ofgem, Shippers and other IGTs as appropriate.

Q.6 Are there any other drafting issues that you feel may need addressing by amending Special Condition 1 of the IGT licence?

We do not believe there are other drafting issues that need to be addressed at this time. We acknowledge that there may be minor typographical errors but have worked with Ofgem, other IGTs and the rest of the industry on the basis of the current drafting and it has not resulted in any major concerns being expressed to us.

As set out in relation to Q.4, we believe Ofgem have indicated that it may look to review the arrangements for IGTs over the next year and believe that this would be a more appropriate time to review, and if necessary modify, the licence to incorporate the outcomes of such a review.