

iGT UNC / iGT INC Modification Proposal

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| Date | 8 th November 2007 |
| Urgency | Non-urgent |
| Reference | ESP128 ESPC052 ESPN128 ESPP128 |
| Status | For Information |
| Title | ES Pipelines Gas Meter Charges Publication |
| Proposer | ES Pipelines Ltd |
| iGT UNC / Pipeline Operator | iGT iNC (<i>ES Pipelines, ESP Pipelines, ESP Networks, ESP Connections</i>) |
| Modification Proposal Dates | <i>Circulation: dd/mm/yyyy</i> <i>Response: dd/mm/yyyy</i> <i>Circulation of DMR: dd/mm/yyyy</i> <i>Response to DMR: dd/mm/yyyy</i> <i>FMR sent to authority: dd/mm/yyyy</i> <i>Circulate Authority's determination: dd/mm/yyyy</i> <i>Suggested Implementation date: dd/mm/yyyy</i> |

Urgency

Non-urgent

Background

ES Pipelines provides a service for the provision of gas meters. The details of this service are set out in the publication entitled 'Gas Meter Charges'. ESP's shipper customers are bound to this publication through ESP's network code (incorporating the iGT UNC).

The Proposal

ES Pipelines considers that currently there exists little or no clarity of operation to allow effective competition in the market for the provision of gas meters. Specifically, whilst it currently caters for the life of the meter up to and including installation, and certain other provisions while the meter is *in situ* at the relevant supply point, the iGT UNC is silent regarding the provision or replacement of meters by a third party meter operator. This raises the following questions:

- How can a third party meter operator make an informed investment decision if it has no idea of the cost of providing metering services on ESP's networks?
- How can a customer be provided with any real choice for the provision of their meter when the market is not providing the proper signals to promote choice?
- How will a customer ever be offered the best possible price for metering services when market participants may be forced to price based on a higher than necessary risk due to lack of transparency?
- How can market participants be encouraged to invest in metering when there is no certainty of return on the investment that have made?

This proposal seeks to make changes to the ES Pipelines (and associated licences) Gas Meter Charges publication, in order to address the questions above. The Gas Meter Charges publication will be held as an ancillary document to ES Pipelines' Individual Network Codes, and a small number of additional clauses will be inserted into the Individual Network Codes, pointing to, and providing clarity over, the Meter Charges Publication.

The Appendices of this proposal contains the Gas Meter Charges publications for ES Pipelines, ESP Pipelines, ESP Networks, and ESP Connections. Each publication varies slightly due to historical differences in agreed charging methodologies for each licence. It is recommended that interested parties read the ES Pipelines publication initially. The other three publications vary from this in sections 7, 9.1, 10, Appendix A, and Appendix D only.

Suggested timescale for implementation

2 months from Authority approval, in accordance with release schedules.

How will the proposal operate?

ES Pipelines' Individual Network Codes will contain additional clauses to point to the relevant Gas Meter Charges publication. These clauses will serve to:

- Specify that shippers are bound by the Gas Meter Charges publication;
- Specify that upon transfer of a supply point, the terms of the Gas Meter Charges publication are adopted on the transfer date by the incoming shipper; and
- Provide clarity on the change governance of the Gas Meter Charges publication

Facilitation of the relevant objectives

The efficient and economic operation of the pipe-line system

The security of return on investment ensures the most efficient use of metering assets, and that they are only potentially removed when there is an economic case for doing so. The potential for unnecessary asset wastage and uneconomic costs to be borne by the pipeline operator is reduced. The proposal fosters an environment in which the customer benefits from the lowest possible charge for the provision of their meter.

The securing of effective competition between relevant shippers

The transparency provided by this proposed methodology provides a level playing field across ESP's networks, and so allows all market participants, including shippers and suppliers, to assess the available options based on sound economic judgement. The proposal adds certainty to current and future charges and allows informed decision-making and reasoned strategy formulation. The splitting out of the metering charges into three elements enables shippers, suppliers, and their customers to make choices that may not have previously been visible to them.

Proposed Legal Text

Legal text is not provided at this stage, but the modification will require an additional section in the iNC of the four ESP licences, containing three clauses to the following effect:

1. The terms for the provision of gas meters and associated equipment are set out in the publication entitled Gas Meter Charges, contained in Appendix [x]. Signatories to this network code are bound by these terms.
2. The obligations contained with the publication referred to in clause 1 are adopted by the confirming Pipeline User upon successful confirmation of a supply point.
3. The publication referred to in clause 1 may be modified
 - (a) in the case of non-material changes, at any time by the Pipeline Operator;
 - (b) in the case of material changes with not less than 28 days' notice to Pipeline Users or;
 - (c) in any case when directed to do so by the Authority;

and the publication will be updated to reflect these changes as soon as practicable following the change.

The proposer recommends to the Panel that legal drafting is procured for the Draft Modification Report.

Completed forms should be returned to the iGT UNC Representative, Gemserv Ltd at iGT-UNC@gemserv.com or faxed to 020 7090 1001