

UNC Modification Proposals – Guidance for Proposers

The information in this note is intended to help Proposers in completing the Modification Template (<http://www.gasgovernance.co.uk/unc/templates>) and seeks to capture the Modification Panel's (Panel) expectations for any new proposal. It does not replace the UNC (Code) Modification Rules (MR) or latest edition of the Code Administration Code of Practice (CACoP).

Issues Observed by Panel

Panel has observed two key issues that tend to result from what they consider to be poorly-developed proposals:

1. It is difficult to:
 - a. determine whether that proposal is a valid Code matter
 - b. understand the extent of the potential impacts on parties
 - c. set a realistic Workgroup assessment timeline
2. The Workgroup phase is often unnecessarily elongated because
 - a. a disproportionate amount of time is spent validating the defect articulated in the proposal
 - b. the circular effect of amending and reviewing Solutions as more information becomes available.

Requirements

The requirements for new modification proposals are met by completing the sections in the Modification Template, however there is little specific information about the level of detail required:

Modification Rules 6.2.1.g) (...each modification proposal....) shall set out in reasonable but not excessive detail the case for change and the solution proposed

Code Administration Code of Practice Principle 6 Workgroups will assist the Proposer in designing and assessing their solution, advising on any issues, but not changing the solution unless the Proposer agrees.

The remainder of this document sets out Panel's minimum expectations for new modifications.

Pre-Modification Support

Panel recognises that the Code is increasingly complex and there are likely to be hidden impacts that even the most experienced regulatory people might not anticipate.

All potential **Proposers are strongly encouraged to discuss their proposals with the Joint Office** and with relevant industry colleagues (including shippers, transporters and Xoserve) sufficiently ahead of a Panel submission date to allow them to shape their modification.

Available support includes:

- The Joint Office offers a 'critical friend' service independent of all other industry parties and on a confidential basis, providing a useful 'sounding board' for ideas
- Transporters and Xoserve have, in particular, volunteered their time
- All Workgroup meetings have a pre-modification agenda slot to enable parties to suggest ideas and receive creative and supportive input from a cross-section of viewpoints

Guidance for New Modification Proposals

Self Governance/Fast Track

The self governance criteria are set out in the modification template and should be the basis of the Proposer's assessment about the appropriate level of governance.

In all cases there must be justification provided for your position, which should include an assessment of the actual materiality (for example, in cost to consumers).

Fast track proposals must be fully developed and include the Proposer's Legal Text.

Why Change?

This section sets out the defect in Code, which may be an error, an omission or something you want to change. **You must explain the context for the proposal (what is the driver?, which parties are impacted? etc), why this is a Code matter (in the case of new additions) and what will happen if the change isn't made.**

Solution

The Solution is owned by the Proposer and ultimately **sets out in plain English how the Code is to be modified (usually including the affected section of Code, any Business Rules, time-related matters and responsibilities)**. The Workgroup's key role is to assess the impact of a modification and to assist with the fine details of the Solution design.

To avoid undue delays in the Workgroup phase, Panel expects that initial modification proposals will be sufficiently complete that they can anticipate the likely impact and Workgroup effort required such that realistic assessment timeframes can be set.

For smaller UNC parties, Panel will apply more latitude with respect to the level of detail they will accept in an initial proposal, however such parties are still expected to avail themselves of pre-modification support as described above.

Any additional explanation that Proposers believe is helpful, but that is not intended to be written in to Code, must be clearly marked as such ("for information only" or "for the avoidance of doubt" or similar works well in such situations).

User Pays: as part of developing their Solution, Proposers should consult the relevant transporters and/or Xoserve to ascertain if the proposals constitute a change to the service. If so, an indication of magnitude and the proposed allocation of those costs should be provided.

Proposers should be aware that Panel may, should it determine that insufficient detail is provided, defer consideration to a future date to allow the Proposer to consider the areas of concern.

Relevant Objectives

For every Objective an assessment should be made stating whether the impact of the Solution is negative, neutral ("none") or positive. Impacts (ie negative and/or positive) should be clearly explained. It is not enough to simply state that, for instance, a modification has a positive impact on competition between shippers (Objective d); a full rationale of specifically how competition is furthered must be provided.

This must be repeated for every Objective that is impacted.

Implementation

The Proposer must identify when they require implementation to be made. If a date is specified, Code requires two alternative fixed dates to also be provided. Proposers may alternatively wish implementation to be 'as soon as possible'.

In the case of Fast Track and Self Governance, the modification template includes the recommended wording to capture the objection/appeal window after Panel determines to implement.

Impacts

This section helps Panel to understand how the modification interacts with existing arrangements; Proposers are encouraged to be as complete as they can about any potential conflicts or concerns relating to all parts of the industry supply chain, **and particularly on consumers**.

If an impact on another change initiative or SCR is identified, Panel needs to know the impact ahead of the external implementation ('pre') of that change, during cutover, and the enduring affect ('post').

Proposers should be aware that any impact on a section of Code within the scope of an Ofgem Significant Code Review may not be progressed at that time.

Legal Text

Proposers are welcome to provide Suggested Legal Text alongside their modification, but are under no obligation to do so unless Fast Track procedures are requested (see above).

It should be noted that legal text is not required at the initial consideration stage of the modification process. A transporter will normally be nominated by the Joint Office to provide legal text for all modifications (except in the case of transporter-raised proposals where they provide their own text).

Unless particularly straightforward, the transporter will also provide a plain English commentary to support the text they propose. See also the Legal Text Guidance Document published here: <http://www.gasgovernance.co.uk/gendocs>.

Recommendation

Proposers need to make a clear recommendation to Panel – indicating whether they would like their modification to be assessed by a workgroup (normal) or, if fully developed, to be issued to consultation (exceptional cases). It should be noted that Panel may direct that the nominated transporter provides legal text before any consultation takes place.

Alternatives

Alternative proposals may only be raised in the time between a modification is issued to a Workgroup for assessment and the ensuing Workgroup Report is completed and submitted to Panel.

All of the same guidance applies. In addition, Proposers need to make the differences in the Solution clear in their Alternative.

Normally the Joint Office will provide a copy of the original modification (ie upon which the Alternative is to be based) so that consistency is ensured.

A single Workgroup Report will be developed by the Joint Office, which will draw out the differences and assess the relevant merits.

Urgent Modification Proposals

An Urgent modification needs Ofgem approval for the requested process and timeline. Since the steps in the modification process can be amended, requests for Urgency are normally considered by Panel before Ofgem make a direction.

Proposers wishing to make an Urgent modification proposal should contact the Joint Office for guidance, since cases need to be considered on their individual merits.

Ofgem have produced a helpful guidance document available here: <http://www.gasgovernance.co.uk/mods>.

Appendix: Modification Proposal Checklist

	1. Summary	
1a	Does the Self Governance statement include the relevant qualifying criteria and evidence to justify the request? (including the materiality)	
1b	Where applicable, does the Fast Track statement include the relevant qualifying criteria and evidence to justify the request? Have you provided the proposed Legal Text?	
1c	Has the problem as described in Why Change? (identified in Section 2) been summarised?	
1d	Has the remedy as described in the Solution (identified in Section 3) been summarised?	
1e	Have the appropriate Relevant Objectives (identified in Section 4) been identified and summarised?	
1f	Has the Implementation plan (identified in Section 5) been summarised?	
1g	Has the impacts to other significant change (identified in Section 6) been summarised?	
	2. Why Change?	
2a	Is the reason for the proposed change clear?	
2b	Have the impacted parties been identified?	
2c	Has the defect in Code been fully described?	
2d	For new additions to Code, has the rationale for this being a Code matter been provided?	
2e	Have references to external requirements been included (such as EU Codes, GS(M)R, iGT UNC etc)?	
2f	Is it clear what the consequences are if the proposal does not proceed?	
	3. Solution	
3a	Does the Solution directly address the identified defect?	
3b	Does the Solution describe only the UNC changes?	
3c	Has the impacted section of Code been identified?	
3d	Are Business Rules required/provided?	
3e	Have time-critical events been clearly specified?	
3f	Have responsibilities been clearly defined?	
3g	Are any guidance notes or diagrams marked as not being part of the formal Solution?	
3h	Has the rationale for User Pays been included?	
3i	If User Pays, is the cost allocation methodology clear (does it provide an unambiguous statement of the proposed allocation, inc. basis and relevant date/s)?	
	4. Relevant Objectives	
4a	Is this a Charging Methodology related modification? If so, ensure that the correct version of the modification template is used.	
4b	Are the impacts on the Relevant Objectives identified?	
4c	Are supporting statements (including quantification of potential impacts etc.) for the Relevant Objectives provided?	
	5. Implementation	
5a	Is there an unambiguous implementation statement?	
5b	If timescales proposed, have at least 2 fixed dates and a backstop date been identified and justified? (not applicable for SG modifications)	
	6. Impacts	
6a	Have any affected SCRs or Change Projects been identified?	
6b	If so, does the proposal clearly state the likely impact pre- (up to the implementation date), during cutover, and post-Change?	

6c	Have the impacts on relevant parts of the industry supply chain been identified?	
6d	Have the impacts on consumers been identified?	
	7. Legal Text	
7a	Any Suggested Text (by the Proposer) should be included	
	8. Recommendation	
8a	Is there a clear recommendation from the Proposer to Panel?	