

0566S:

UNC modification stakeholder engagement and Guidelines

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This modification seeks to introduce new steps into the Modification Rules to promote pre-modification stakeholder engagement through the introduction of a UNC Modification Proposal Guidance Document, additional time for critical friend activities and enhanced Panel powers in requiring further modification development.

 Panel consideration is due on 21 January 2016 *(at short notice by prior agreement)*

 High Impact: None

 Medium Impact: None

 Low Impact: All Parties

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About this document:		 As above
This Final Modification Report will be presented to the Panel on 21 January 2016.		Systems Provider: N/A
The Panel will consider the views presented and decide whether or not this self-governance change should be made.		
The Workgroup recommended the following timetable:		
Initial consideration by Workgroup	04 December 2015	
Workgroup Report presented to Panel	17 December 2015 (short notice)	
Draft Modification Report issued for consultation	17 December 2015	
Consultation Close-out for representations	15 January 2016	
Final Modification Report published for Panel	18 January 2016 (short notice)	
UNC Modification Panel decision	21 January 2016	

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is a self-governance modification because it is unlikely to have material effect on gas consumers; competition, the operation of pipe-line systems, safety or security of supply, the uniform network code governance procedures or the network code modification procedures.

It is not expected to have a material impact on the UNC Modification Rules since it only adds clarification of process and additional guidance; no existing rights are eroded.

Why Change?

Under-developed UNC modifications lead to extensive assessment periods once they reach Workgroups, which consumes industry time and effort. With the addition of targeted stakeholder engagement, either in Workgroups or on a one-to-one basis, prior to the modification being raised this could be avoided saving valuable time and resources.

Solution

1. To introduce a UNC Modification Proposal Guidance Document that sets out the minimum requirements for Proposers of UNC modifications.
2. To clarify that a minimum of 3 business days are available for critical friend activities between modification submission and circulation of Panel Papers.
3. To clarify UNC Panel powers in deferring a decision on under-developed modifications.

Relevant Objectives

This modification will have a positive impact on Relevant Object (f) by promoting efficiency in the implementation of administration of the code by ensuring modifications are well developed prior to submission to the Panel. This will save both industry and UNC Secretariat time and effort during the formal modification procedures.

Implementation

As soon as the modification template can be updated following a decision.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

Not applicable.

2 Why Change?

In recent years the focus on targeted stakeholder engagement has increased across the industry to the benefit of customers, parties and processes. Engagement at the right levels can greatly aid and guide potential process changes. Although the UNC has formal engagement through Workgroups and consultations there is currently no formal process in place to encourage pre-modification engagement with relevant industry parties. It is believed that such steps would greatly benefit the timely assessment and progression of potential modifications.

Recently Panel has been presented with some under-developed modifications that have not clearly demonstrated that it is a valid code matter and what the direct or indirect impacts on parties are. This has in the past resulted in lengthy Workgroup discussions and more recently, Panel deferring decision on a modification hence adding to the already significant timescales.

Please note, this is not suggested to hinder or delay the modification process by introducing 'red tape' but to make the modification journey more efficient for all industry parties.

In this modification it is proposed to create additional industry guidance prior to and during the modification raising process, additional time to allow critical friend activities and to formalise Panel powers in order to request further development a modification prior to sending for Workgroup assessment. For the avoidance of doubt, Panel will not have the power to reject modifications, only to refer them back to the Proposer for further development before progression in the normal way.

3 Solution

We propose a three stage solution:

1. Introduction of a UNC Modification Proposals Guidance Document. The document, published alongside this modification, sets out key steps which Proposers will have regard to when considering raising a change to the Code.
2. Clarifying the modification rules so that modifications shall be submitted to the Secretary not later than 8 business days prior to a meeting of the Panel to qualify for discussion at that meeting but only be required for circulation to Panel and the industry 5 business days prior to the meeting to allow critical friend guidance.
3. On receipt, Panel shall be entitled to request further development of a modification prior to taking a decision on the next step (e.g. issue to a workgroup or direct to Consultation). In such cases, Panel should clearly set out specific areas to be developed and any questions to be answered. For clarity – Panel may take this decision where the mod does not sufficiently justify that it is indeed a code matter, where the impacts have not been fully developed or other relevant circumstances but we do not intend to restrict their decisions by defining each instance in code. Panel will only be able to exercise this right once per modification.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A
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4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

This modification will have a positive impact on Relevant Objective (f) Promotion of efficiency in the implementation and administration of the Code, by ensuring modifications are well developed prior to submission to the Panel. This will save both industry and UNC Secretariat time and effort during the formal modification procedures.

5 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

The Joint Office will update modification templates, which sit outside of the UNC, to include the revised guidance.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No.

7 Legal Text

The following Text was confirmed as final Text at the UNC Modification Panel meeting on 17 December 2015.

Text Commentary

The first part of the legal text has been developed using similar principles as previously applied to the Legal Text Guidance Document.

We commenced by setting out a definition of the Modification Proposal Guidance Document that will be a related UNC document amendable to the UNC Panel. The text then goes on to add that parties shall take the guidance document into account when raising new UNC modifications.

For the second point of the Solution, to allow the Joint Office further time for critical friend activities, we have inserted a “for the avoidance of doubt” statement as the timescales suggested are already allowed for within other sections of the Modification Rules.

The final point sets out to allow Panel to refer a modification back to the proposer for further development. The legal text here has been taken from the IGT UNC for best practice. It has then been clarified that this power may only be used once for each modification and that Panel will submit any questions along with their request.

Text

The following Text has been prepared by Scotia Gas Networks, and no issues were raised by the Workgroup regarding its content.

UNIFORM NETWORK CODE - General

Modification Rules

Section 2.1 – Defined Terms

“Modification Proposal Guidance Document”: the guidance document published by the Transporters which contains guidance in respect of the development of new Modification Proposals pursuant to these Rules.

Section 6.2 – Content of Modification Proposal – insert new paragraph

6.2.1 Each Modification Proposal made pursuant to paragraphs 6.1.1 or 6.1.2 shall set out the information and be in the form specified in the Code of Practice and:

- (q) shall have regard to the Modification Proposal Guidance Document which may be amended only by a determination of the Modification Panel in accordance with paragraph 5.1.2(a)

Section 7.1 – Circulation of Modification Proposals – new Text

7.1.3 For the avoidance of doubt, where a Modification Proposal is received 8 Business Days prior to the date of the next meeting of the Modification Panel the secretary shall take the relevant action as per 7.1.1(b) by 5 Business Days prior to the next meeting of the Modification Panel

Section 7.2.3 – Discussion of Modification Proposals – add underlined Text

- (b) a Modification Proposal:
 - (i) subject to paragraph 7.2.3(d), should proceed to Consultation in accordance with paragraph 7.3; or
 - (ii) should be referred to a Workgroup for Workgroup Assessment in accordance with paragraph 7.5 (and the Modification Panel may determine the Terms of Reference for such work (including terms as to the identity of any third parties to be consulted) and the date upon which it requires the Workgroup to submit its Workgroup Report); ~~or~~
 - (iii) should be deferred to a subsequent meeting of the Modification Panel for further discussion; or
 - (iv) be implemented, subject to unanimous determination under 7.2.3(a)(ii) that Fast Track Self-Governance Criteria are satisfied and subject to Panel determining unanimously that the Modification Proposal be implemented; or
 - (v) be referred back to the Proposer for further development

7.2.10 Where the Modification Panel determines that 7.2.3(b)(v) applies they shall:

- (a) set out the questions to be answered and specify any areas for further development by the Proposer;
- (b) only be entitled to exercise this vote once per Modification Proposal

8 Consultation Responses

Of the 5 representations received implementation was unanimously supported

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
National Grid Distribution	Support	f) - positive	<ul style="list-style-type: none"> • Believes that encouraging greater stakeholder engagement prior to the raising of modifications can only be to the benefit of the industry. • Feels the clarifying of timescales which allow 3 Business Days for the Joint Office to carry out its 'critical friend' activities and the clarification of Panel powers regarding requesting further development prior to next step decisions, will also be beneficial in aiding better developed modifications to progress in an efficient manner. • Agrees with Self Governance status.
National Grid NTS	Support	f) - positive	<ul style="list-style-type: none"> • Supports this modification because they believe the changes proposed encourage greater stakeholder engagement prior to the raising of a modification. • Believes this may aid in the initial development of modifications prior to being submitted to Panel, which in turn may lead to better developed modifications being submitted, facilitating discussion at workgroups. Therefore ensuring that workgroup participants' time is being used more efficiently. • Notes that Panel can now request further development of a modification prior to taking a decision on whether it should proceed to the next step. • Recognises the modifications clarification should only apply where it does not sufficiently justify that it is a Code matter, the impacts are not fully developed or other relevant circumstances. • Feels it may be helpful if Panel provided some further clarity around this to address concerns that a modification may be referred back simply because it is contentious. • Agrees with Self Governance status.
Northern Gas Networks	Support	f) - positive	<ul style="list-style-type: none"> • Implementation will help clarify the process around raising modifications and promote good governance of the change process. It will allow the Joint Office more time to fulfill its role as a 'critical friend' to proposers

			<p>and empower the Modification Panel to defer a modification if they feel it lacks sufficient clarity and development.</p> <ul style="list-style-type: none"> • Agrees with Self Governance status.
Scotland & Southern Gas Networks	Support	f) - positive	<ul style="list-style-type: none"> • This modification aims to aid market participants in raising modifications by providing additional guidance and to implement efficiencies in the modification process by encouraging stakeholder engagement prior to modifications being raised. • Believes the modification will also allow additional time, if required, for the Code Administrator to provide 'critical friend' guidance on new modifications and also clarifies Modification Panel powers to request further development of new modifications prior to proceeding to workgroup or consultation. • Feels that the aims of this modification are in line with the both the CMA and Ofgem Code Governance Review findings/recommendations and will deliver benefits to the modification process. • Agrees with Self Governance status.
Wales & West Utilities	Support	f) - positive	<ul style="list-style-type: none"> • The modification introduces a useful guidance document regarding raising modifications; clarifies the critical friend process; and gives the Modification Panel a valuable tool to refer modifications back to the proposer if they are unclear. • Feels overall this should improve the quality of modifications and increase the efficiency of the end to end modification process. • Believes that this modification will help deliver some of the aims of the Ofgem Code Governance Review Phase 3. • Agrees with Self Governance status.

Representations are published alongside the Final Modification Report.

9 Panel Discussions

10 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel determined:

- that proposed self-governance Modification 0566S should/should not be made.