

**Stage 02: Workstream Report**

What stage is  
this document

# UNC 0281: Prevention of “Timing Out” of Authority Decisions on Modification Proposals



Clarifies the way in which implementation dates of UNC Modification Proposals are determined whilst avoiding the possibility that Modification Proposals may “Time Out”



The Governance Workstream recommends  
This Proposal is sent to Consultation



Medium Impact:  
UNC Panel, the Authority, Workstreams and Joint Office



Low Impact:  
All participants affected by Modification Proposal Implementation Dates

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## About this document:

The purpose of this report is make a recommendation to the Panel, to be held on 18 March 2010, on whether Modification Proposal 0281 is sufficiently developed to proceed to the Consultation Phase and to submit any further recommendations in respect of the definition and development of this Modification.



### Any questions?

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## 1 Summary

### Why Change?

There is a risk that Modification Proposals may **time out**. Timing out will occur where an Authority decision has not been provided in time to allow the Modification to be implemented by the last possible implementation date.

If a Modification Proposal times out, the potential benefits to the industry may be lost or delayed.

### Solution

It is proposed that implementation dates within both Modification Proposals and Modification Reports must be constructed such that timing out cannot occur. To achieve this, it is proposed that the information required by the UNC Modification Rules for both Modification Proposals and Modification Reports be amended so that if a 'fixed' implementation date is included, a 'flexible' date must also be specified.

For the avoidance of doubt, any suggested implementation date would be included on the understanding that such a date is not binding on any party.

If the implementation date is left blank, then this will be determined at a later date.

### Impacts and Costs

- When fixed implementation dates are specified in Modification Proposals and Reports, these would need to be supplemented by a flexible implementation date.
- Modifications will not be able to time out
- Implementation and ongoing costs would be minor.

### Implementation

Implementation on the day following a Panel Meeting is proposed.

### The Case for Change

This change to the Uniform Network Code Modification Procedures would add clarity in respect of implementation dates and their justification. It is consistent with suggested Licence changes which Ofgem has consulted on with a view to addressing timing out.

### Recommendations

The Governance Workstream concluded that the Proposal is sufficiently clear to proceed to consultation.

## 2 Why Change?

*Taking at its starting point any text submitted by the Proposer, this section shall be completed by the Chair of the Work Group to identify the need for change. It should reflect and attribute any differing views of Work Group members and be agreed by the Group as a whole prior to submission to Panel.*

### Timing Out Risk

There is a risk that Modification Proposals, especially those classified as Urgent Modification Proposals, may Time Out. Timing Out will occur where an Authority decision on a Final Modification Report has not been provided in time to allow the Modification to be implemented by the Proposer's suggested last possible implementation date.



#### Gas Transporter Licence References

Where are the network code modification procedures referenced?

In paragraph 9 of Standard Special Condition A11.2 of the Gas Transporter Licences. (An identical condition applies to the NTS and all the DN licences)

#### Uniform Network Code Modification Rules

Where are the Uniform Network Code Modification Rules?

On the Joint Office of Gas Transporters website at:

[www.gasgovernance.co.uk/general](http://www.gasgovernance.co.uk/general)

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If a Modification Proposal is left to Time Out, this may mean that the proposed benefits to the industry are lost or delayed. This may be particularly relevant in the case of Modification Proposals that have a specific suggested implementation window.

## **Avoidance of Duplication or Loss of Benefit**

Whilst the current 'work-around' solution to a Timed Out Modification may be to raise a new Modification Proposal, this route may, at best, result in the duplication of industry effort spent, as the new Modification follows the same Modification Procedures from start to finish. At worst, a Timed Out Modification Proposal may result in the potential time bound benefits of a Modification becoming unrecoverable.

## **User Pays Aspects**

Timing Out may be particularly relevant to Modification Proposals classified as User Pays whereby a particular suggested implementation may be perceived as being more cost efficient than other potential dates.

## **Industry Consistency**

Whilst Timing Out has not occurred for a UNC Modification Proposal to date, it has occurred within the electricity industry, most notably in 2007 when the Authority was unable to provide a decision on a small number of Balancing and Settlement Code (BSC) Modification Proposals before the final date allotted for such a decision in the Final Modification Report. A subsequent judicial review ruled that when the Authority did not make its decision by the latest date included in the Final Modification Reports, it lost the ability to make any decision on those Proposals.

Following the judgement, the Authority issued a number of industry consultations the most recent of which, in May 2009, included indicative modifications to National Grid's Transmission/Transporter licences to try and prevent timing out reoccurring. These issues raised during the industry consultations are recognised and implementing a Modification Proposal is the most efficient way to address these.

To ensure consistency across all industry codes, this Modification Proposal has been raised in conjunction with similar Modification Proposals to the BSC and Connection and Use of System Code (CUSC). Where possible, any industry best practice has been adopted in the development of this UNC Proposal.

## **BSC Modification Proposal P250**

The BSC Modification Proposal P250 has two objectives. The first is to remove the risk that future Modification Proposals can Time Out, whilst the second is to mitigate the risk that the quality of an Authority decision is reduced due to a material change to the underlying analysis and perceived benefits of a Modification Proposal. An erosion of the underlying analysis and perceived benefits of a Modification Proposal within any industry code may occur if there is an extended period time between the submission of the final modification report and the Authority decision being published.

Section 9.5 of the UNC Modification Rules allows for the UNC Panel to alert the Authority should either of the following instances occur:

1. No Authority decision after a set length of time following the submission of the final Modification Report, and
2. A situation where the Authority or Voting Member of the UNC Panel believes that the circumstances relating to the Modification have materially changed.



In the case where there may be a material change to the circumstances of a Modification Proposal, the UNC Panel is, following an additional consultation phase, able to provide supplemental information to aid the Authority decision.

As such, this UNC Modification Proposal does not seek to implement the second objective within the BSC Modification and focuses solely on ensuring that UNC Modification Proposals cannot Time Out.

Transporters usually provide implementation dates at the time the Authority decision is made. As such, the proposed implementation date will be contained within the Notice to implement a Modification Proposal in accordance with Standard Special Condition A11: Network Code and Uniform Network Code.

### 3 Solution

*This section is the Proposal itself and may only be amended by the Proposer. Others may put forward alternative solutions to be recorded elsewhere in this report.*

#### Nature of the Proposal

To ensure that Modification Proposals can no longer Time Out, it is proposed that the suggested implementation dates contained within both a Modification Proposal and final Modification Report are constructed in such away that Timing Out cannot occur. To achieve this, it is proposed that the forms of both the Modification Proposal and Final Modification Report described within the UNC Modification Rules be amended to state that if a Proposer is suggesting an implementation date, both documents must include both suggested 'fixed' and 'flexible' implementation dates. For the avoidance of doubt, any suggested implementation date will be included on the understanding that such a date is not binding on any party. Alternatively if the implementation date is left blank, then this will be determined at a later date.

Both types of suggested implementation date are explained in further detail below:

#### Suggested Fixed Implementation Date

As used within the Modification Reports within the BSC, it is proposed that a suggested fixed implementation date will contain a minimum of two sets of suggested implementation dates in the following format:

- Implementation date of AA, based on an Authority decision published on or before BB; or
- Implementation date of CC, based on an Authority decision published after BB, but on or before DD

If an Authority decision is not published by the first decision date (BB), then the Authority is provided with a further period of time to make its decision.

In suggesting the decision dates (BB and DD), Proposers should take into consideration both the Authority's key performance indicator (to reach a determination on at least 70% of Modification Proposals in 25 Business Days) and the notice period provisions of UNC Section 9.5 Further Consultation.

#### Suggested Flexible Implementation Date

As described above, if a Proposer has chosen to include a suggested 'fixed' implementation date they must also include a suggested flexible implementation date. This suggested 'flexible' implementation date will indicate that the Modification Proposal may also be

implemented by a specified period after the Authority decision has been published. Suggested flexible implementation dates should be presented in the following format:

- X Business Days after an Authority decision; or
- X Calendar Months after an Authority decision

It is envisaged that, to facilitate implementation, both the Modification Proposal and Modification Report templates will be amended to help capture the suggested fixed and flexible implementation dates in the formats specified.

Although mentioned above, it is important to reiterate that this Proposal does not seek to bind any party to perform any action, including an Authority decision, in preparation or response to a suggested implementation date or associated timescales. Furthermore, in keeping with current practice, Transporters will continue to confirm the implementation date at the time the Authority decision is made.

If a Proposer opts to include suggested implementation timescale options in line with the above, he/she must also include justification for any date(s) provided. It is envisaged that this justification will include reference to the cost efficiency of a suggested implementation date for a Modification Proposal classified as User Pays.

For the avoidance of doubt, this Modification Proposal applies to both 'non-urgent' Modification Proposals, and Urgent Modification Proposals. In addition, Proposers wishing to submit an alternative or variation to a Modification Proposal must also ensure that any suggested implementation timescales and associated justification are consistent with the aforementioned formats and do not allow a Modification Proposal to Time Out.

Proposers will also be expected to provide justification for the suggested dates.

### **Blank Suggested Implementation Date**

In keeping with the current practice, Proposers will continue to have the ability to not specify a suggested implementation date if there are circumstances where it is not critical or practical to do so.

For clarity, where a suggested implementation date is left blank within a Modification Proposal, it will be understood that the Proposer considers that the UNC Panel and Authority will continue to assume that the implementation of a Modification Proposal can be determined in line with Standard Special Condition A11. ie that the Gas Transporters will determine the most efficient implementation date upon Authority decision.



Insert heading here

Insert text here

## 4 Relevant Objectives

0281 will better facilitate the achievement of **Relevant Objectives c and f.**

Proposer's view of the benefits of XXXX against the Code Relevant Objectives	
Description of 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.	See explanation below
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.	
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.	
f) Promotion of efficiency in the implementation and administration of the Code	See explanation below

*The following section should explain how each of the impacts identified above would arise and so further the objective identified.*

### The Applicable Section of the Transporter Licences

Implementation would be expected to better facilitate the achievement of the Relevant Objectives on the basis of Standard Special Condition A11.2 of National Grid NTS' Licence:

"In relation to a proposed modification of the network code modification procedures, a reference to the relevant objectives is a reference to the requirements in paragraphs 9 and 12 of this condition (to the extent that those requirements do not conflict with the objectives set out in paragraph 1)."

To assist in the understanding of this section, paragraph 9 of Standard Special Condition A11.2 of National Grid NTS' Licence is provided below. Underneath this extract is an explanation of how this Modification Proposal benefits this paragraph.

### Paragraph 9 of Standard Special Condition A11.2

"9. The network code modification procedures shall provide for:

- (a) a mechanism by which any of
  - (i) the uniform network code; and
  - (ii) each of the network codes prepared by or on behalf of each relevant gas transporter, may be modified;
- (b)

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- (i) the making of proposals for the modification of the uniform network code in accordance with paragraph 10 (a) of this condition; and/or
  - (ii) the making of proposals for the modification of a network code prepared by or on behalf of a relevant gas transporter in accordance with paragraph 11(a) of this condition;
- (c) the making of alternative modification proposals in accordance with paragraphs 10(b) and 11(b) of this condition, except in a case where the Authority otherwise directs in writing;
- (d) the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all relevant gas transporters and all relevant shippers and sending a copy of the proposal to any person who asks for one;
- (e) the seeking of the views of the Authority on any matter connected with any such proposal;
- (f) the consideration of any representations relating to such a proposal made (and not withdrawn) by the licensee, any other relevant gas transporter, any relevant shipper, or any gas shipper or other person likely to be materially affected were the proposal to be implemented; and
- (g) where the Authority accepts that the uniform network code or a network code prepared by or on behalf of a relevant gas transporter may require modification as a matter of urgency, the exclusion, acceleration or other variation, subject to the Authority's approval, of any particular procedural steps which would otherwise be applicable."

## How this Modification Proposal would better facilitate paragraph 9 of A11.2

Implementation benefits the above paragraph in so far that:

- In respect of sub-paragraphs (a), (b), (c), (d) and (e) above, this proposal improves the mechanism by which Modification Proposals, and any alternative or variation, are raised by ensuring clarity with regards to any suggested implementation dates and accompanying justification. This improved mechanism will aid both the understanding of the proposed changes and the subsequent Authority decision;
- In respect of sub-paragraph (f) above, this proposal will provide greater clarification of a suggested implementation timescale to all interested parties. As such, interested parties will be able to include in their representations views on the affect on them of any suggested implementation date.

## 5 Impacts and Costs

### Costs

*Include here any proposal for the apportionment of implementation costs amongst parties.*

Indicative industry costs

None

### Impacts

Impact on Transporters' Systems and Process

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Transporters' System/Process	Potential impact
UK Link	• None
Operational Processes	• None
User Pays implications	• None



**Where can I find details of the UNC Standards of Service?**

In the Revised FMR for Transco's Network Code Modification **0565**

**Transco Proposal for Revision of Network Code Standards of Service** at the following location:

<http://www.gasgovernance.com/networkcodearchive/551-575/>

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	• Users would not duplicate any administrative effort in support of the Modification process for a Modification that would previously have Timed Out.
Development, capital and operating costs	• None
Contractual risks	• None
Legislative, regulatory and contractual obligations and relationships	• None

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	• None
Development, capital and operating costs	• None
Recovery of costs	• None
Price regulation	• None
Contractual risks	• None
Legislative, regulatory and contractual obligations and relationships	• None
Standards of service	• None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• The Modification Rules would be modified to reflect this Proposal.
Modification Panel	• The Modification Panel would need to agree the changes to the Proposal and report pro-formas, including the Draft and Final Modification Reports.
General administration	• The Joint Office would be required to ensure that its processes reflect the changes to the Modification Rules.

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Impact on Code	
Code section	Potential impact
Uniform Network Code - Modification Rules	Minor

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None
Gas Transporter Licence	None
Transportation Pricing Methodology Statement	None

Other Impacts	
Item impacted	Potential impact
Security of Supply	None
Operation of the Total System	None
Industry fragmentation	This Modification Proposal seeks to reduce industry fragmentation by ensuring consistency across the main industry codes (BSC, CUSC and UNC) with regard to the implementation arrangements for code modification proposals, in line with the objectives of the ongoing industry Codes Governance Review.



Insert heading here

Insert text here



Proposer's Quote:

" Insert quote here"

## 6 Implementation

*The Work Group Chairman should enter here, using information gained from the Proposer, the Transmission Company/Transporter and from any other Work Group attendees, the likely implementation timetable.*

Subject to the Chairman's Guidelines that require a minimum of five Business Days notice of Panel business, once the Authority had approved this Proposal, the next Panel Meeting could agree to approve the changes in the templates. This would permit implementation immediately following the meeting.

The Panel may wish to address how the process and templates should apply to Modification Proposals in flight if the proposal remains unclear on this point or if discretion is given to the Panel.

## 7 The Case for Change

*This section allows further development of the case than is included in the earlier summaries*

In addition to those identified the above, the Proposer identified the following:

### Advantages

- Implementation will ensure that a Modification can be delivered in a timely manner ensuring that the potential benefits to Users are realised at the earliest opportunity. By ensuring that an Authority decision can be made on the original Modification (as much as possible) will be more efficient as it will remove the need to re-raise a potentially time consuming duplicate Modification.
- In addition, implementation will reduce the financial risk to Users of a delay in implementing a Modification Proposal and the additional administration costs borne from raising a new Modification if the original has timed out.

## 8 Recommendations

The Governance Workstream invites the Panel to:

- AGREE that Modification Proposal 0281 be submitted for consultation;
- AGREE that the Transporters should be asked to prepare the Text of the Modification;
- AGREE that the standard consultation period should apply.

## 9 Further Information

### Example

To illustrate the above proposal using an example; the Proposer submits a Modification Proposal and, after consultation with the Transporters, obtains a Detailed Cost Analysis (DCA). As part of this DCA, it is suggested that implementation of the Modification may be most efficiently implemented during one of the three UK Link release dates, with a 1 month lead time, or alternatively if implementation during a UK Link release is not possible approximately 6 calendar months after Authority decision is published. As a result, the

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suggested implementation timescales within the final Modification Report may look similar to the following:

1. Decide by Date of 26/01/2010 for suggested implementation of 26/02/2010
2. Decide by Date of 25/05/2010 for suggested implementation of 25/06/2010
3. Decide by Date of 5/10/2010 for suggested implementation of 5/11/2010

And, if the Authority decision is published after the above dates then the following 'Flexible Date' would apply;

4. Decide by Date of 5/10/2010 for suggested implementation of 5/11/2010

The suggested flexible implementation date is six (6) calendar months after publication of an Authority Decision.