

UNC Modification	At what stage is this document in the process?
<h1 data-bbox="134 322 691 412">UNC 0XXX:</h1> <h2 data-bbox="129 450 1090 589">Updates to the Supplemental Agreement Amendments Process</h2>	<div data-bbox="1209 309 1468 627"> <div data-bbox="1209 309 1468 380">01 Modification</div> <div data-bbox="1209 392 1468 463">02 Workgroup Report</div> <div data-bbox="1209 474 1468 546">03 Draft Modification Report</div> <div data-bbox="1209 557 1468 629">04 Final Modification Report</div> </div>
<p>Purpose of Modification: To change the processes for updating Supplemental Agreements.</p>	
<p>Next Steps: The Proposer recommends that this Modification should be:</p> <ul data-bbox="153 927 582 963" style="list-style-type: none"> assessed by a Workgroup <p>This Modification will be presented by the Proposer to the Panel on 15 September 2022. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
<p>Impacted Parties: High: None Low: Gas Distribution Networks and National Grid Gas None:</p>	
<p>Impacted Codes: None.</p>	

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Timetable		
Modification timetable:		
Pre-Modification Discussed	27 July 2022 and 24 August 2022	
Date Modification Raised	25 August 2022	
New Modification to be considered by Panel	15 September 2022	
First Workgroup Meeting	28 September 2023	
Workgroup Report to be presented to Panel	19 January 2023	
Draft Modification Report issued for consultation	20 January 2023	
Consultation Close-out for representations	10 February 2023	
Final Modification Report available for Panel (at short notice)	15 February 2023	
Modification Panel decision	16 March 2023	

 Any questions?

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1 Summary

What

Through the Request Workgroup 0646R - Review of the Offtake Arrangements Document, it was agreed that the existing arrangements need to be updated. A summary of the key issues:

- The Offtake Arrangements Document (OAD) states the upstream party is responsible for processing any Supplemental Agreement (SA) amendments;
- The process does not cater for tri-party sites;
- The process is very transactional and does not allow sufficient time for operators to review amendments made by another operator;
- The process does not cater for certain commercial circumstances where the SA requires agreement prior to the assets becoming operational;
- Arrangements are hard-wired into OAD making process revisions burdensome.

Why

As the current arrangements were made in 2005, parts are now considered to be out-of-date and require amending in order to bring in line with current practice. Changes will include:

- Allowing either party to initiate the process;
- Addressing the gap that does not cater for tri-party sites;
- Introducing a draft and execution phase to allow for suitable governance;
- Allowing for scenarios where the new SA needs to be approved prior to assets becoming operationally live; and
- Transferring the arrangements into a subsidiary document to allow for more timely revisions to the process to be approved by the Offtake Committee, rather than via the Modification process.

How

The key amendments are anticipated as:

- Overhaul of Section N3.3.1 with replacement text to 'hook in' new Subsidiary Document;
- A new requirement is needed to terminate previous versions that have been superseded by a newly executed version (Section A, B or N);
- Minor amendments to Section N10 (Shared Sites) to also link to new Subsidiary Document.

2 Governance

Justification for Self-Governance

This Modification is suitable for Self-Governance as it is unlikely to have a material effect on “(bb) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes” due to updates being limited to the Supplemental Agreements amendments process.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance
- be assessed by a Workgroup.

3 Why Change?

Under existing arrangements, it is the responsibility of the upstream party to process any SA amendments. All parties will discuss the merits of allowing either party to initiate the execution phase providing agreement has been reached during the draft phase.

The process does not cater for tri-party sites, so this is a gap within the OAD that needs addressing.

As the process is very transactional and does not allow sufficient time for operators to review amendments made by another operator, we propose an allowance for a draft and execution phase, which should result in a suitable governance period.

As written, the OAD does not cater for certain commercial circumstances where the SA requires agreement prior to the assets becoming operational. All parties agree that where required, revisions will include specific scenarios where the SA needs to be agreed prior to the respective assets becoming operationally live or amended.

The existing arrangements are hard-wired into OAD making process revisions burdensome. We therefore propose to transfer these into a new subsidiary document that will require amendments be approved by the Offtake Committee, rather than a formal Modification.

4 Code Specific Matters

Reference Documents

A general understanding the OAD would be beneficial, specifically Sections A, B and N.

Offtake Arrangements Document (found here: <https://www.gasgovernance.co.uk/OAD>)

Knowledge/Skills

An understanding of operational works, commercial practice, etc would be advantageous.

5 Solution

For the subsidiary document:

- BR1 - the revised processes will include a draft phase and an execution phase. The execution phase can remain transactional with set timescales;
- BR2 - any party can initiate the update process and draft proposed changes;
- BR3 - any amendments provided must have updated the relevant current version of the supplemental agreement and track changes must have been applied so that the other operator(s) can quickly identify the changes made for prompt and an efficient review to take place;

- BR4 - for tri-partite sites, the initiating or amending party shall assess the impact on the services party and will seek approval for any modifications to the site services (Section 3 within the SA template). Where this occurs, the amending party will provide the written confirmation from the services party that the amendments to site services have been duly reviewed and agreed upon, before submission of the revised SA to the operator.
- BR5 - the process will apply to all site types including Shared Sites;
- BR6 - other receiving party or parties may require further additional information from the amending party to support to acceptance of the revised supplemental. This is covered by OAD Section N3.3.
- BR7 - the revisions will also include the specific scenarios where the Supplemental Agreement needs to be agreed prior to the respective assets becoming operationally live or amended.

Other rules and updates:

- BR8 - A new clause is necessary to close, supersede or terminate the previous version of the Supplemental Agreement when a new agreement has been entered. Include a new provision within OAD will negate the need to update the recitals or legal text within the OAD template documents.
- BR9 - The appropriate linkages from Section N3.3 and N10 to the new subsidiary document will be required.
- BR10 - Section N1.2.1 (Subsidiary Documents) will need to be updated to include the new process document.

6 Impacts & Other Considerations

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

No.

Consumer Impacts

No consumer impacts are anticipated as the amendments will impact Transporter processes only with a view to producing a more efficient outcome.

What is the current consumer experience and what would the new consumer experience be?

No consumer group should experience any change as the amendments will impact processes internal to Gas Transporters only.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability	None
n/a	

Lower bills than would otherwise be the case n/a	None
Reduced environmental damage n/a	None
Improved quality of service n/a	None
Benefits for society as a whole n/a	None

Cross-Code Impacts

No other industry codes are affected.

EU Code Impacts

There is no impact on any EU Code.

Central Systems Impacts

There is no impact on any central system.

7 Relevant Objectives

Impact of the Modification on the Transporters' 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

The proposal furthers relevant objective *f) Promotion of efficiency in the implementation and administration of the Code* by updating an out-of-date OAD, to bring it in line with current industry practice. Doing so in tandem with transferring the obligations into a subsidiary document should improve the overall efficiency of the process by allowing changes to be approved by the Offtake Committee in a timely manner.

8 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.

9 Legal Text

Text Commentary

Insert text here.

Text

Insert text here.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Self-Governance procedures should apply.
- Refer this proposal to a Workgroup for assessment.