

**Modification Report**  
**Additional information in Modification Proposals and Modification Reports**  
**Modification Reference Number 0712**  
Version 2.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

**1. The Modification Proposal**

To add additional information to the modification proposals and reports.

**2. Transco's Opinion**

Transco recognises that the intent of this Proposal is for Proposers and Transco to provide more information at earlier stages of the Modification process.

Transco notes that the Proposer has suggested that three of the five additional items to be provided by the Proposer are provided at their discretion, which means there is no certainty they will be provided, even if this Proposal is implemented. A fourth "additional" requirement to provide justification for urgent status is already provided for in the current format of the Modification Proposal template.

It is Transco's view that in submitting a Proposal, the Proposer takes responsibility for providing as much information as possible about what issues their Proposal seeks to address and how it seeks to address them. The information cited in the Proposal is the sort of information Transco would expect to see in a Proposal that had been properly developed and in a condition suitable for consultation. The responsibility of assessing whether a Proposal contains sufficient information to ensure respondents to a consultation are fully aware of the Proposal's impact resides with the Modification Panel. Any Proposal that is not sufficiently defined can be sent to the appropriate Workstream for further development. Transco therefore sees no requirement to modify Network Code to achieve this.

With regard to IS Impact Assessments, the current template for Modification Reports includes the field, "The development implications and other implications for computer systems of Transco and related computer systems of Users." Indeed, it is a requirement of Network Code, Section Y 8.9.3 (e) that such information be included in Modification Reports.

As Transco already provides a high level assessment of IS implications as per this obligation, Transco questions the requirements for additional obligations.

The Proposal also seeks to include legal text submitted by the Proposer, where provided, in the DMR. Transco notes that Proposers may, and often do, include legal text in their Proposal, however it is Transco's legal text that is included in the Network Code, should the Proposal be implemented. Transco believes that two parties developing legal text is a duplication of effort and therefore an inefficient use of resources and it is in the interests of all Parties that drafting be of an appropriate standard and accuracy.

Transco suggests that instead of providing legal text, Proposers could focus on the development of Business Rules, perhaps as part of a Topic discussion, which would assist Transco in accurately drafting legal text. Transco notes that the current arrangements ensure that legal text is provided for all Modification Proposals that are implemented, and sees no need to further complicate the process by enforcing the inclusion of further drafts of legal text.

**3. Extent to which the proposed modification would better facilitate the relevant objectives**

In their response, the Proposer provided general comments in relation to the relevant objectives. The Proposer stated, "All of the proposals [0712: Additional Information in Modification Proposals and Modification Reports, 0713: Ability for Users to Vary their Modification Proposals, 0714: Use of Principles of Governance in Applying Section Y of the Network Code and 0715: Modification Panel Approval of the treatment of Representations in Final Modification Reports] have been raised recognising Transco's responsibilities under its Standard Licence Condition 4D (1) (to ensure that no party obtains any unfair commercial advantage etc) and Standard Condition 9 (1) (b) (re the efficient discharge of its obligations)".

Transco believes the Proposal is vague in describing the obligations it is seeking to introduce, in particular the "IS impact assessment", despite clarity being specifically sought during the consultation process. As such, it is difficult to assess the level of additional costs that will result from this Proposal or whether such costs would be incurred efficiently or otherwise.

Transco does not consider that any party obtains an unfair commercial advantage under the current arrangements and as such, does not agree with the justification for this Proposal. Transco also believes that there are elements of this Proposal that, should it be implemented, would result in a duplication of effort and rules enforcing the provision of information that is already provided. Transco believes that this is inefficient and therefore considers that this Proposal does not facilitate achievement of the code relevant objectives.

**4. The implications for Transco of implementing the Modification Proposal, including**

**a) implications for the operation of the System:**

Transco does not anticipate any such implications.

**b) development and capital cost and operating cost implications:**

There are cost implications associated with the proposed obligations on Transco to produce high-level IS impact assessments.

**c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:**

Transco believes it is appropriate to recover any costs incurred. Any such costs would be recovered through the internal costs incentive.

**d) analysis of the consequences (if any) this proposal would have on price regulation:**

No such consequences have been identified.

**5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal**

It is not anticipated that there will be a change to the level of contractual risk to Transco as a consequence of this Proposal.

**6. The development implications and other implications for computer systems of Transco and related computer systems of Users**

Any changes to the format of the Draft and Final Modification reports would require development of the existing Registered Users website.

No development implications on the related computer systems of Users are anticipated.

**7. The implications of implementing the Modification Proposal for Users**

Additional information will need to be provided by Users when a Modification Proposal is originated.

**8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party**

No such implications are anticipated.

**9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal**

Transco is not aware of any such consequences.

**10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

The Proposer states that "the changes will result in better informed debate and hence an overall improvement in the quality of proposals. It is our belief that this may also result in overall savings in industry effort expended in the modification process".

**Disadvantages**

Transco's view is that additional costs would be incurred by Transco and/or the industry in the provision of additional services.

The increased workload to Transco's IS and Legal departments in the provision of high level impact assessments and legal text will lead to additional cost and possible delays in the preparation of Draft Modification Reports.

**11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

Transco received 12 representations to the Proposal from the following:

Association of Electricity Producers	AEP
BP Gas Ltd	BPG
British Gas Trading	BGT
EDF Energy plc	EDF
E.ON UK plc	EON
The Gas Forum	GFO
Gemserv	GEM
RWE npower plc	RWE
Scottish and Southern Energy plc	SSE

## Network Code Development

Shell Gas Direct	SGD
Statoil (UK) Ltd	STA
Total Gas and Power Ltd	TGP

11 of the respondents supported the Proposal.  
1 respondent (GEM) provided comments.

### **Existing Processes**

Two respondents (BGT and SSE) acknowledge that “the existing processes have on the whole delivered a workable methodology” and that “Transco’s stewardship of the process to date has been largely satisfactory”. TGP state that “the driver behind the proposals has been to encapsulate and formalise best practice within the process, recognising that much of the time this best practice is already followed”.

### **Transco Response**

Transco is also of the opinion that the existing processes have, and continue to work well and therefore questions the requirement to formalise and add complexity to the current arrangements by making these changes.

### **Implementation Timescales**

Five respondents (TGP, EDF, GFO, SSE and RWE) envisage the Proposal should be implemented “without delay” or “as soon as possible”. GEM “is of the view that it would be appropriate to refer matters of implementation to the Network Code Committee in order to determine an appropriate date”.

### **Transco Response**

Transco does not support implementation of this Proposal.

### **Detail of IS Assessment**

BGT state “In most cases, it would not be possible to provide a detailed assessment of impact upon systems at the time of the Draft Modification report”. EON believe “that detailed analysis would not be required but only an initial indication of Transco’s assumptions of which part of UK-Link might be affected”. TGP state “Both the Purpose of the Proposal and the legal text use the word ‘outline’. We understand this to indicate that the impact assessment is reasonably high level”. EDF “would like Transco to reference the impact assessments that are provided in the BSC Modification Procedure. There are two possible forms, (i) high level impact assessment (HLIA), and (ii) detailed level impact assessment (DLIA). Both impact assessments quote costs within tolerance levels and outline the proposed amendments to the appropriate IT systems”.

### **Transco Response**

The Network Code is a legal document and therefore any changes to it should provide clear direction to one or more parties to the agreement. It is unclear to Transco, despite responses received, as to what would be required of it by implementation of this Proposal in relation to the IS assessment.

If it is intended that the IS impact assessment is “high level”, then Transco believes it already provides this, as required by Network Code, Section Y 8.9.3 (e). It therefore sees no reason for Network Code to be amended as is proposed.

EDF have requested that Transco refers to the BSC Modification Procedures. Transco notes that modifications to the BSC are managed and administered by Elexon whose work and operation is funded by BSC parties. Elexon also own the Central Systems required for the operation of the Electricity Market. As part of the BSC Modification Procedures, Elexon, where they believe a Proposal requires it, may provide detailed systems assessments,

produced by BSC Agents (Logica etc). The costs of delivering these systems assessments and the resulting system changes are smeared amongst BSC parties.

### **Cost of IS Assessments**

STA, SGD, EON and TGP do not believe implementation of this Modification Proposal would cause additional costs for Transco because it is proposed that the impact assessments are high level. EON “do not consider an outline impact assessment to be a contentious, costly or time consuming aspect of this modification proposal. We feel it is clear from the proposed legal text that detailed analysis would not be required but only an initial indication of Transco’s assumptions of which parts of UK-Link might be affected. This could be as broad as stating areas x, y and z might be affected to a minimal, medium or significant extent. We cannot see that such a provisional outline view would require any more time or funding in which Transco needs to write its Draft Modification Report”. GEM believe “Presently Transco forms a view at (or before) DMR stage as to whether it supports a Proposal or not, as this will be significantly influenced by systems impacts it must currently have a reasonable idea before publishing the DMR, therefore this is work that Transco does anyway and consequently no additional costs should be incurred”. EDF believes “that in the current production of a Draft Modification Report, Transco is required to evaluate and produce impact assessments so we do not see a need to extend the modification process. Also any costs that Transco incurs should be allocated to the modification procedure. We believe that this is current practise we do not see a great increase in costs will result from the implementation of 712”.

### **Transco Response**

The current template for Modification Reports includes the field, “The development implications and other implications for computer systems of Transco and related computer systems of Users.” Indeed, it is a requirement of Network Code, Section Y 8.9.3 (e) that such information be included in Modification Reports. As Transco already provides a high level assessment of IS implications as per this obligation, and as noted by EDF and EON, Transco questions the requirement for any additional obligations.

If Transco were required to provide information over and above that which it already provides, there would be costs associated with this, which would vary according to the complexity of the Proposal. In such circumstances it may be considered inappropriate for the cost of these impact assessments to be recovered through general transportation charges, especially for those Proposals that are not implemented. Instead, it may be more appropriate for the cost of these assessments to be borne initially by the Proposer and then reimbursed if the Proposal is implemented.

### **Timescales to Provide IS Assessment**

Five respondents (BGT, EON, TGP, GEM and SSE) did not agree that provision of an IS Impact Assessment as set out in the Proposal would require an extension to the 15 day period in which Transco writes the DMR. BGT state “The intent of inclusion at the earlier stage is to be indicative rather than definitive and hence should not give rise to excessive delay in most cases”.

### **Transco Response**

If, as stated above, the requirement is to provide information not over and above that already provided, then Transco agrees that no additional time would be required. However, if it is proposed that additional information be provided, Transco maintains that time will be required to obtain this information which will impact on the 15 day time period currently allowed to produce the DMR. It remains clear to Transco that there is a lack of definition as to the extent of the assessment required. Without this clarity it is not possible to definitively conclude whether or not the proposed impact assessment can be completed within the existing modification process timetable.

### **Provision of Legal Text**

Three respondents (EON, SSE and TGP) believe that the provision of legal text by the Proposer would add clarity to and aid understanding of the Proposal. STA believes that "If the proposer provides legal text, Transco should standardise this prior to the release of the DMR, as this would provide clarity to others at an earlier stage in the modification process. STUK do not believe the costs involved in standardising the legal text by Transco to be high and that once the proposer submits the legal text, this will assist Transco, as the work required for producing the legal text will be provided by the proposer". GEM believe that "Transco should also consider publishing guidelines for this 'standardisation' in order that any proposer providing text would be able to provide it in an acceptable format thus saving time".

### **Transco Response**

Transco recognises that as part of the current process, Proposers are free to include suggested legal text with their Proposal if they wish. However, Transco does not agree that provision of legal text at this stage is the most appropriate means to add clarity to a Proposal or aid understanding. As an alternative, Transco suggests that provision of detailed "Business Rules" would be more helpful to those wishing to respond to the Proposal and those eventually responsible for drafting Network Code legal text.

Legal text is the way in which the Proposal is formalised within the Network Code and should be written only when the workings of the Proposal have been discussed and made clear. Transco therefore believes that it is pre-emptive and unnecessary to include legal text at this stage of the process unless it has been subject to discussion and agreement within a Network Code Workstream following full development of a Proposal and Business Rules.

In addition, legal drafting is a detailed and complex task and Transco believes that it should only be done by specialists with the appropriate background knowledge and legal experience.

The current process provides that Transco prepares legal text for all Modification Proposals in respect of which implementation is being recommended. Transco believes that provision of Business Rules by Proposers would facilitate this process and aid Transco in providing accurate legal text.

### **Legal Text Disclaimer**

EDF, TGP, SGD and EON were supportive of Transco's suggestion that a disclaimer be included in the legal text should implementation of this Proposal be recommended.

### **Provision of Additional Information**

STA believe the "provision of additional information within the modification proposals should provide clarity and avoid the need for respondents to request explanation of specific issues. Also, the facility to have more information will provide greater clarity in both the Draft Modification Report (DMR) and the Final Modification Report (FMR). Essentially, modification proposal 712 formalises the need to request the proposer to indicate the route in which they wish to progress this proposal. This then would alert others that a proposal could be developed further in a workstream or that it is ready to go straight out to consultation (subject to modification panel approval)."

### **Transco Response**

Transco believes that, should a Proposer feel that their Proposal is not developed sufficiently to proceed to consultation, it should first be tabled at the appropriate Workstream meeting as a Topic for discussion. In doing this, the Proposer can seek views of the industry and explore alternative options before submitting a developed Proposal to the Panel which could, legitimately, be directed to consultation. In doing this, the Proposer will have made the industry aware of the Proposal and have afforded it the opportunity to discuss and raise questions about the Proposal, the responses to which could then be included in the text of the Proposal such that further questions would not need to be asked at the consultation stage.

This would make the process of responding and preparing the Modification Reports more efficient and productive.

Transco therefore considers that the ability and opportunity to clarify and add detail to a Proposal already exists in the Network Code Workstreams and therefore this Proposal is unnecessary.

### **Relevant Objectives**

Six respondents believe this Proposal furthers the relevant objectives. EDF believe that this Proposal will “better facilitate the relevant objectives as defined under amended license standard condition 9 (b), which states that Transco is required to efficiently discharge of (sic) its obligations. We believe that the extra information will ensure that any implementation issues are highlighted during the consultation procedure and this will lead to a more efficient modification process”. GEM supports the proposer’s views that the Proposal “would better facilitate Transco’s discharge of its licence Condition 4D. Since relevant objective b) in licence Condition 9. 1 is “.... the efficient discharge of its obligations under this licence” each of the proposals must therefore further facilitate the relevant objectives”. EON state “Modification proposals 712 – 715 facilitate relevant objective 9.1 (b) the efficient discharge of its [Transco’s] obligations under [its] license; one such obligation being Standard condition 4D (1) to ensure that no party obtains any unfair commercial advantage...from a preferential or discriminatory arrangement”.

### **Transco Response**

Transco recognises that the intent of the Modification Proposal is to better facilitate the relevant objectives through the provision of better information. However, having carefully considered responses to the Proposal, Transco believes that neither the proposer nor the respondents have demonstrated how the Proposal better facilitates the code relevant objectives.

Transco believes that the consultation stage of the Modification process is an inappropriate time to raise “implementation issues”, as stated by EDF, and raising such issues at this late stage of the process is indeed inefficient. As stated previously, Transco believes it would benefit the industry if such issues were discussed prior to the consultation period as part of a Topic at the appropriate Workstream meeting.

Transco contends that no party obtains an unfair commercial advantage under the current process and there are no preferential or discriminatory arrangements entered into. As such, Transco does not see how this Proposal represents better facilitation of the relevant objectives.

### **12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation**

This Modification Proposal is not required to facilitate any such change.

### **13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence**

This Modification Proposal is not required to facilitate any such change.

**14. Programme of works required as a consequence of implementing the Modification Proposal**

A program of works is not provided as part of the Proposal, or the Proposer's response.

**15. Proposed implementation timetable (including timetable for any necessary information systems changes)**

Transco notes that an implementation date is not provided as part of the Proposal, or the Proposer's response.

**16. Recommendation concerning the implementation of the Modification Proposal**

Transco does not recommend implementation of this Proposal.

**17. Restrictive Trade Practices Act**

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

**18. Transco's Proposal**

This revised Modification Report contains Transco's proposal not to modify the Network Code but has been prepared following direction from the Gas & Electricity Markets Authority.



## 19. Text

### SECTION Y

#### MODIFICATION RULES

*Amend paragraph 6.2.1 to read as follows:*

“6.2.1 Each Modification Proposal:

- (a) shall be in writing;
- (b) shall set out ...;
- (c) shall set out the basis...;
- (d) shall detail the sections ...;
- (e) shall, if the Proposer considers that the Modification Proposal should be treated as an Urgent Modification Proposal, identify the Modification Proposal as such and indicate the Proposer's justification for such belief;
- (f) shall, where it is...;
- (g) shall state the...;
- (h) shall, without prejudice to the Modification Panel's rights of determination pursuant to paragraph 7.2, state the Proposer's preference as to whether the Modification Proposal should:
  - (i) be subject to the review procedures;
  - (ii) proceed to the Development Phase;
  - (iii) be dealt with in accordance with paragraph 7.3; or
  - (iv) be referred to a Workstream in accordance with paragraph 7.4 for discussion;
- (l) may state the Proposer's opinion of the likely impact of the implementation of the Modification Proposal upon Users' computer systems and/ or manual processes and procedures;
- (j) may state the Proposer's view of possible implementation timescales for the Modification Proposal; and
- (k) may include the Proposer's suggested text for consideration by Transco when preparing the text of the Modification pursuant to paragraph 8.11.”

*Amend paragraph 8.9.3(a) to read as follows:*

“(a)

- (i) “set out or append in full the Modification Proposal or Third Party Modification Proposal including, in the case of a Modification Proposal, any suggested text provided by the Proposer pursuant to paragraph 6.2.1(k); and
- (ii) set out the text if provided pursuant to paragraph 8.11;”

*Amend paragraph 8.9.3 (e) to read as follows:*

- “(e) provide Transco’s reasonable high level indication, based upon such information as is reasonably available to it at the relevant time, of the areas of UK Link likely to be affected, and address the development...”

Signed for and on behalf of Transco.

Signature:

**Richard Court**  
**Commercial Frameworks Manager**  
**NT & T**

Date:

**Gas and Electricity Markets Authority Response:**

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0712**, version **2.0** dated **28/01/2005**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **2.0**.

Signature:

**Process Manager - Network Code**  
**Transco**

Date:

**Annex**

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
  - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
  - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriateprovided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.