

CODE MODIFICATION PROPOSAL No. 0003(0716)
"Revision of the Modification Rules"
Version 2.0

Date: 09/09/2004

Proposed Implementation Date: 01/01/2005

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

The Network Code Modification Rules (Rules) have served the industry tolerably well since the inception of the Code. However they contain a number of shortcomings in their provisions and are understandably biased towards Transco in a number of areas. In the light of developments in the industry and changes in the general approach to governance Users now believe the time is right to propose a fairly general revision to bring the Rules up to date.

Some months ago the Gas Forum initiated a series of industry Seminars, to which all relevant shippers were invited, in order to consider how the Rules could be improved. This Proposal is the culmination of that work and is intended to make the Rules more compliant with the general principles of efficiency, transparency, inclusivity, accountability and consistency by making them more impartial and better balanced in their operation and by putting the Modification Panel in a more central decision making role.

Nature and Purpose of Proposal (including consequence of non implementation)

This Proposal is intended to replace large sections of the present Modification Rules with revised text which has been developed in keeping with the following 'themes', (the changes themselves are too detailed to list exhaustively here):

1. Modification Panel

Giving the Panel, rather than Transco alone, more decision making in the operation of the governance regime. Proposals include - the introduction of a User Vice Chairman; clearer arrangements for overseeing and directing the work carried out by Workstreams; changing voting so that all determinations are by Panel Majority with the provision of clear default positions where a determination is not made.

2. Modification Proposals & Reports

Giving greater equality to Users and sharing more information earlier in the process. Proposals include - defined points at which the Proposer may change a Modification Proposal and removal of the confusing Alternative Proposals provision; the need for additional information about systems impacts and implementation timescales during consultation

3. Development

Making the process more transparent and participative. Proposals include - giving wider ability for appeals to be made to the Panel; tighter terms of reference and clearer defaults; making it easier for a Proposal to be sent to consultation.

It should be noted that this Proposal is not intended to inhibit or anticipate governance developments under the Unified Network Code (UNC). Rather it has been made in the knowledge that further changes may be necessary but that they would in all probability be building upon changes brought about by this

Proposal. A good example of this is in Panel voting. It seems highly probable that the UNC arrangements will institute two constituencies (Users and GTs) and that both will need to agree for a determination to be made. This would simply be an extension of the present Proposal and hence would be a relatively minor change.

It is considered that implementation of this Modification Proposal would better facilitate Transco's discharge of its licence condition 4D "Conduct of Transportation Business" by making the Rules more neutral and removing present examples of discrimination which favour Transco and Transco proposals above Users.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

The opportunity to make the Network Code governance regime more equitable and robust would be lost or delayed and Transco would continue to enjoy a preferential position within that regime.

It is now widely acknowledged (including by Transco) that the present regime is in need of revision to make it more balanced and neutral. This Proposal has already been widely discussed within and developed by the User community and it is believed that Transco will in any event need to propose changes in the Rules which mirror and incorporate those proposed here before the introduction of UNC.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

Code Concerned, sections and paragraphs

Section Y

Proposer's Representative

Mike Young (British Gas Trading Ltd)

Proposer

Mike Young (British Gas Trading Ltd)

Signature

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