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The Joint Office, relevant Gas
Transporters, Shippers and other
interested parties

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21 October 2005

Dear Colleague,

Uniform Network Code modification proposal 022: 'Revisions to Section O – Removal of references to the Base Plan Assumptions document'

Having considered the issues arising from this proposal Ofgem¹ has decided to direct the implementation of the modification, as we believe that it will better facilitate the achievement of the relevant objectives of the Uniform Network Code (UNC), as set out in standard special condition A11 of relevant Gas Transporters Licences. In this letter we explain the background to the modification proposal and outline the reasons for making our decision.

Background to the proposal

Section O of the UNC covers issues connected to system planning and long term system development. One aspect of this is the requirement for Transco NTS (now known as National Grid of National Grid Gas Plc), with the cooperation of other Transporters and Users, to issue a Base Plans Assumptions document (BPA) and subsequent annual Ten Year Statement. Essentially, the BPA is the information upon which the Ten Year Statement is constructed/based.

In 2001, following industry consultation, the method for undertaking long term system planning and development was amended. As such, the BPA was replaced by the Transporting Britain's Energy (TBE) process. The obligation to publish an annual ten year statement was retained.

The proposal

At present, Section O of the UNC refers to the BPA. Amendment is required to replace all references to the BPA with TBE, so as to align the UNC with current industry practices. In addition, the TBE consultation process is to be moved from October to January of each year.

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem' and the 'Authority' are used interchangeably in this letter

Respondents' views²

Five representations were received in relation to this modification proposal, two of which were late submissions. Of those five, three provided complete support and two provided qualified support for implementation.

Those offering complete support for the proposal see the amendment as very straightforward and would remove any obligation to produce duplicate information, once for the BPA and again for the TBE. As the proposer, Transco NTS stated that the TBE system of consultation is an improvement on previous arrangements, and as such, better facilitates standard special condition A11(c) of the Gas Transporters (GT) Licence.

Of those offering qualified support, the main concern is regarding the interpretation of licence obligations on Users to provide information to Transco NTS and other Gas Transporters. Specifically, there are concerns that Users would be required to provide 5 responses to the TBE process (1 to Transco NTS and 4 to the other GTs). Prior to the introduction of the UNC, Users were required to provide one response to the TBE process and there is concern that the new requirement to provide 4 extra responses will be onerous and inefficient.

In addition, one respondent sought clarification on how moving the start of the TBE process from October to January fits with existing provisions in section H of the Offtake Arrangements document.

Panel Recommendation

At the modification panel meeting held on 18 August 2005, the 8 voting members present unanimously recommended that this modification proposal be implemented. Panel members believe that the proposal will better facilitate the achievement of relevant objective A11 (c) "the efficient discharge of the licensee's obligations under the licence" and A11 (f) "the promotion of efficiency in the implementation and administration of the UNC".

Ofgem's view

Ofgem believes that it is appropriate for the legal text of the UNC to accurately reflect what happens in practice. As such it is appropriate to remove references to the BPA from section O of the UNC and replace them with TBE.

Ofgem notes that some respondents are unclear about their obligations regarding the publication of Ten Year Statements. However, Ofgem set out their initial views on this issue in its February 2005 consultation document³ and again in an open letter of March 2005⁴.

² This section is intended to summarise the principal themes of the respondents' views and is not intended to provide a comprehensive overview of the responses received. These can be found on the Gas Transporters information service (formally known as Nemisys) <https://gtis.gasgovernance.com>

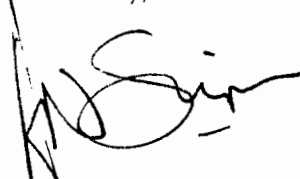
It is the responsibility of each licensee to ensure that they are discharging their own licence obligations with regard to Long Term System Development Statements. Nothing in this modification proposal changes the current obligations on GTs and Users in relation to the TBE process.

Ofgem's decision

For the reasons outlined above, Ofgem considers that implementation of this proposal would better facilitate the achievement of the relevant objectives of the UNC, as outlined under standard special condition A11. In particular, condition 1(c) "the efficient discharge of the licensee's obligations under the licence".

If you have any queries regarding this letter please contact me or Samantha McEwen on 020 7901 7032.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N Simpson', written over a light blue background.

Nick Simpson
Director, Modifications

³ National Grid Transco - Potential Sale of Gas Distribution Network Businesses. Formal Consultation under section 23 and section 8AA of the Gas Act 1986.

⁴ Long term development statements