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Dear Julian,

CODE MODIFICATION PROPOSAL No. 0064 – Extending established Unified Network Code governance arrangements to include CSEP Ancillary Agreements

Stance - Against

National Grid NTS appreciates the clarification provided by the Modification Panel in respect of the intended scope of the above Modification Proposal, specifically that it applies only to generic versions and not to confidential site specific agreements. We also welcome the acknowledgement that there are several generic versions of CSEP Ancillary Agreements “CSEP AA” each relating to a different connection arrangement.

National Grid NTS welcomes the opportunity to reiterate its concerns with this Modification Proposal. Our comments (of a general nature and specific to this Modification Proposal) dated 31st January 2006 remain and should be read in conjunction with this supplementary response.

As previously stated National Grid NTS supports, in principle the proposed publication of the generic CSEP AAs, although it is noted that TPD Section V 5.3.1(a)(ii) provides that the terms of any Ancillary Agreement are Protected Information and thus subject to the confidentiality obligations, hence site specific information should not be published. National Grid NTS would only be able to publish generic versions relating to NTS CSEPs; DNOs would be responsible for publishing generic versions of LDZ CSEP AAs and for ensuring consistency, if that is intended, across all Networks. Such publications would require an accompanying proviso that site specific information is not included.

As a result of Network sales the various types of generic CSEP AAs will require review to ensure correct use of UNC reference. If the Proposal is approved and National Grid NTS is required to publish the NTS CSEP AA then this additional work will immediately be required and publication would be unlikely until 1 month after notification of implementation.

The main concern of National Grid NTS with this Modification Proposal is that it will weaken the existing governance processes relating to the various prevailing CSEP AA's and has the potential to create conflicts.

The various NTS CSEP AAs are not simple operational manuals; they are integral to the UNC and are fundamental to the operation of NTS CSEPs (for example how gas is allocated at the CSEP). National Grid NTS does not believe that it is appropriate for the governance of these agreements to be addressed outside of the existing arrangements. These are given by:

- TPD J6.6.1, which requires the generic agreement to have Condition A11(18) Approval of the Authority; and
- TPD J6.6.2, which deems a CSEP AA to be a part of the Code for the purposes of enabling modifications to them. Hence changes need to continue to be subject to the full UNC Modification process and approved by the Authority following industry consultation.

This Proposal is therefore a dilution of the current governance arrangements and in our opinion is detrimental to consumer protection by introducing the UNC Committee as the decision-making body rather than the Authority. Indeed it is arguable that in seeking to circumvent the Modification rules process for change, the Proposal conflicts with the SSC A11 which provides for UNC changes to be by Modification process.

Given that the current UNC Modification process properly and adequately allows change to be made to any of the various CSEP AAs, the introduction of the changes Proposed is not necessary and also has the potential to introduce a detrimental change to existing governance by the creation of two conflicting decision making processes.

Also it is not clear what the Proposer intends to happen if a Modification to the UNC merits a change to a CSEP AA but the UNC committee votes against such a change? The Proposal does not address this issue and has, therefore, the potential to fetter the prompt implementation of UNC Modification changes.

On balance National Grid NTS concludes that we do not support this Modification Proposal, as we believe that any change relating to any of the various CSEP Ancillary Agreements must be subject to appropriate industry consultation and, just as importantly, an Authority decision. We do not believe that UNC Committee governance is the appropriate level of governance for such material changes.

Yours sincerely

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