Draft Modification Report
Formally include the Network Code Modification Rules within the Network Code
Modification Reference Number 0679

Version 1.0

This Draft 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

Well managed governance processes are rightly regarded as key to delivering effective and necessary change that impacts every area, in this context, of the Network Code. The present justification for not including the modification rules within the Network Code is unclear and we note is not consistent with the approach adopted in electricity where the modification rules have been included within the BSC.

Modify the Network Code such that the Modification Rules, as currently published by Transco, are incorporated into and constitute part of the Network Code and hence are subject to the same change governance processes.

It is proposed that the Modification Rules be incorporated as a Supplement to Section V General and immediately prior to or immediately upon incorporation within the Network Code remove Section 1.4 from the Modification Rules.

2. Transco's Opinion

Transco understands the desire for a common approach to governance across the electricity and gas markets. This Proposal is to simply include the Rules within the Network Code. However unlike the electricity market documents (the Balancing and Settlement Code and the Connection and Use of System Code) there are no pre-existing guidelines for judging the merit of each proposed change to the Rules as the relevant objectives for the Network Code relate to transportation arrangements. Transco is of the opinion that consideration should be given to clarifiying this within it's Licence.

Transco also notes that currently the Modification Rules are written as a set of procedures rather than the contractual terms found within the Network Code and as such are not legally binding on Users, Members or Transco. Transco considers that they cannot be incorporated in their present form as they would need redrafting to operate effectively as part of the Code.

Transco understands from the presentation given by the Proposer at the NT&T Workstream that the main driver for this Proposal is the desire to give Users the ability to formally propose changes to the Modification Rules. However, Transco believe consideration should be given to determine if the Proposal is the best mechanism for achieving this. Transco would welcome repondents views and suggestions.

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

The Proposer states that " incorporation of the Modification Rules within the Network Code will enable relevant shippers to propose change to the rules which could be expected to;

1. improve the efficiency of the transportation arrangements and hence the operation of the system,

2. enable Transco to demonstrate fuller compliance with licence condition 4D para 1(a) by removing an apparently anomalous and unfair advantage which it currently enjoys, and,
3. facilitate proposals from a wider subset of the industry thus promoting better competition between shippers and between suppliers."

Transco is not clear how the Proposal would better facilitate the relevant objectives or how changes to the Modification Rules would improve the efficiency of transportation arrangements. Transco is also unclear as to which other parties would make up a "wider subset of the industry" and respondents' views on this would be welcome.

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

a) implications for the operation of the System:

No direct implications are anticipated.

b) development and capital cost and operating cost implications:

No such implications have been identified.

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:

Not applicable.

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

Implementation of this Proposal would not be expected to impact price regulation.

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

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

7. The implications of implementing the Modification Proposal for Users

Users would be able to formally propose changes to the Modification Rules

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

Transco would welcome views from the above parties on any anticipated implications.

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

No significant consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party are anticipated as a result of the implementation of this Proposal.

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

Advantages

Users would be able to formally propose changes to the Modification Rules.

Disadvantages

Proposed changes to the Modification Rules would be subject to the procedures outlined in the Rules themselves, which would be far less flexible than the existing process outlined by the Licence.

There are no pre-existing guidelines for judging the merit of each proposed change to the Rules as the relevant objectives for the Code relate to transportation arrangements.

The Modification Rules are written as a set of procedures rather than the contractual terms found within the Network Code and would not operate effectively as part of the Code if incorporated in their present form.

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

Representations are now sought

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 ModificationProposal

None.

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

An implementation timetable would need to be developed.

16. Recommendation concerning the implementation of the Modification Proposal

Transco wishes to consider the views put forward in representations as to the suitability of this Proposal in achieving the result of Users being able to formally propose changes to the Modification Rules.

17. Text

The Proposal is to incorporate the Modification Rules, as currently published by Transco (with the exception of the removal of Rule 1.4), as part of the Network Code. Rather than reproducing them in full as part of this report, please refer to the Modification Rules Version 4 dated 1st August 2004.

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Sharon McLaughlin
Customer Services Manager

Support Services

Date: