

Draft Modification Report
Additional information in Modification Proposals and Modification Reports
Modification Reference Number 0712
Version 1.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

The proposer states that:-

"The Modification Rules set out the content required in each Modification Proposal and in the Modification Report, both in Draft and Final versions. This Proposal requires some additional information to be provided when a Modification Proposal is originated and again when Transco prepares the Modification Report in Draft and Final versions.

There are a total of five extra items in the Modification Proposal, three of which are optional for the Proposer to put forward when initiating a Proposal. The "mandatory" items are the Proposer's justification for a proposal to be dealt with as Urgent and the Proposer's suggested method of progressing the proposal through the Modification Rules (e.g. to a Workstream or directly to Consultation).

The additional optional items are; the Proposer's opinion of the impact of the proposal upon Users computer and/or manual systems; any views the Proposer may have concerning implementation timescales; and, suggested legal text.

When preparing the Modification Report in Draft this proposal would require Transco to attach or quote the Modification Proposal in full and to address the additional items within it. In particular, and to give a much clearer idea of the extent of systems changes implied by the Proposal, Transco would be required to outline it's initial understanding of how the UK Link systems would be impacted (NB this is not intended to be a full systems impact assessment and it is understood that any such initial view would necessarily be subject to later confirmation). "

The proposer provides the following draft legal text:-

"Section Y,

Amend paragraph 6.2.1 as follows;

- (e) 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 Proposers justification for such belief;

add new sub-paragraph (f) the Proposers suggested method of progressing the Modification Proposal through the Modification Rules

renumber current (f) as "(g)" and delete the "and" at the end of the paragraph

renumber current (g) as "(h)"

add new sub-paragraph (i) optionally at the Proposers discretion state the Proposers opinion of the likely impact upon Users computer systems and/or manual processes and procedures;

add new sub-paragraph (j) optionally at the Proposers discretion state the Proposers view of possible implementation timescales, and;

add new sub-paragraph (k) optionally at the Proposers discretion state suggested legal text supplied by the Proposer.

Amend paragraph 7.2.2 as follows;

“the Modification Panel may, without prejudice to paragraph 7.2.3, and notwithstanding that the Proposer may have proposed a different manner of progressing the Modification Proposal determine:”

Amend paragraph 7.3 as follows;

7.3 Circulation of Draft Modification Reports

If the Modification Panel shall determine, pursuant to paragraphs 7.2.2(e) , 7.2.3(c)(i), or 7.2.4(b)(i) that a Modification Proposal or Third Party Modification Proposal shall be dealt with in accordance with this paragraph 7.3, [or a Modification Proposal that is dealt with pursuant to paragraph 7.2.5 (b)] Transco will within the fifteen (15) Business Days immediately following the date of the meeting at which the determination was made, prepare a Modification Report (in draft) in accordance with paragraphs 8.9.3 or 8.10 (including the text of each Modification provided pursuant to paragraph 6.2.1(k) and/or in respect of which implementation is being recommended) and circulate such draft report, inviting each User, each Third Party Participant and each Non Code Party (if any) to make representations (in such format as Transco shall require) within the fifteen (15) Business Days immediately following the date of that invitation in respect of the report.

Amend paragraph 8.9.3 as follows;

“(a) (i) set out or append the Modification Proposal (or Third Party Modification Proposal) in full and;”

“(a) (ii) the text provided by the Proposer and/or pursuant to paragraph 8.11;”

“(e) outline Transco’s assessment of which parts of the UK Link systems would be likely to be affected and to what extent together with the development implications and other implications for computer systems of Transco and related computer Systems of Users (whether pursuant to the Modification Proposal, representations or otherwise); (not applicable to Third Party Modification Proposals)”

“(n) set out any proposed implementation timescales or comments whether pursuant to representations or otherwise together with a proposed timetable to be followed in respect of the implementation of the Modification (including, but without limitation, the date upon which the Modification should become effective);”

NB Text within [] refers to an additional paragraph (7.2.5(b)) which is assumed to have been implemented by an earlier Modification Proposal."

2. Transco's Opinion

Transco supports the Proposal's intent of providing greater clarity in respect of the governance of the Network Code Rules. Transco regards a Proposal which seeks to improve the standard, quality and definition of subsequent Proposals submitted into the Modification process as a positive initiative, which has the potential to benefit the community by providing greater clarity of the issues such Proposals seek to overcome. Transco supports the principle that additional information would provide greater clarity in respect of forming the Draft and Final Modification Reports and assisting respondents in providing an informed and balanced response.

Transco notes that the current format of Modification Proposals already allows for the proposer to request urgent procedures and to indicate the justification for such a request. The option to indicate which route the proposer wishes to progress through the modification procedures formalises what is currently requested of the proposer at the initial Modification Panel meeting. Similarly proposers may, and often do, include legal text. However differing styles and formats of legal drafting will have to be addressed and standardised by Transco in order to obviate any potential impact on the timescales for the production of the on line Network Code. Transco would like to seek views as to whether or not this standardisation should be complete before the issue of the Draft Modification Report (DMR) or at the Final Modification Report (FMR) stage.

The Proposal seeks to provide obligations under the proposed section Y paragraph 8.9.3 (e), which require Transco to provide, as part of the DMR, system impact assessments on likely affected areas of the Transco system, detailing to what extent such areas will be impacted. The obligation to provide this information when preparing every DMR relies heavily on the appropriate definition and quality of the Proposal. Transco is concerned that, even if a Proposal was appropriately defined, the timescales for providing such an assessment may be greater than the 15 days permitted within the Modification Process. Transco believes that clearer definition in respect of the form and timescales for required IS assessments may go so far in helping to mitigate Transco concerns. The obligation to provide impact assessments might also increase the costs of administering the Modification process and may increase Transco IS resources required to prepare such analysis. Transco notes that the Proposal does not make reference to the impact that such assessments may have on Modification Process timescale nor how the costs of such assessments should be funded, or by whom. Transco would welcome views from respondents regarding these issues.

The Proposal is unclear as to what level of impact assessment is required to be provided as part of a DMR. In the Proposal section 'Purpose of the Proposal' paragraph 4 the proposer suggests that Transco should, "outline its initial understanding of how UK Link Systems would be impacted". This view was substantiated at the preliminary Governance Workstream, held on Tuesday 28th September, where the proposer indicated that IS assessments would only be an indicative 'highlevel' impact. However the Proposal's draft legal text, provided in paragraph 8.9.3 (e), indicates a more prescriptive position. Transco seeks clarity in respect of what form these assessments are proposed to take. Transco believes that the provision, for each DMR, of high-level impact assessments in respect of Transco's systems could be achieved, however these details would need to be determined once issues on timescales, funding and level of impact assessment details have been clarified. Transco would request that any legal text, in support of this Proposal, appropriately reflects the level of assessment it is required to undertake. Transco welcomes views from respondents in respect these issues.

Transco would request that a disclaimer is added to the proposed legal text 8.9.3 (e) that recognises that any high level IS impact assessment carried out in the early stages of the development of a Proposal is subject to change following a further detailed analysis. Transco believes that this would be consistent with the intent expressed by the proposer in section 'Purpose of the Proposal' paragraph 4 of the Proposal which states that:-

"...to give a much clearer idea of the extent of systems changes implied by the Proposal, Transco would be required to outline it's initial understanding of how the UK Link systems would be impacted (NB this is not intended to be a full systems impact assessment and it is understood that any such initial view would necessarily be subject to later confirmation)."

To summarise Transco would welcome views from respondent on the following issues:-

- Transco seek views in respect of the legal text provided by the proposer.
- Transco seeks views as to whether or not legal text should be standardised before the issue of the DMR or provided at FMR stage.
- Transco would welcome views regarding what level of detail IS impact assessments are proposed to provide and how this is to be reflected in the legal text.
- Transco seeks views regarding the timescales required to evaluate and produce an impact assessment and whether prevailing Modification process timescales should be extended to facilitate the provision of such information.
- Transco seeks views in respect of funding for the provision of IS impact assessments.
- Transco seeks views in respect of how respondents consider that the Proposal better facilitates the relevant objectives.
- Transco welcomes views regarding an appropriate implementation date for this Proposal.

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

The Proposal does not reference how it may better facilitate the relevant objectives. The proposer considers that the introduction of this Proposal would better facilitate the efficient operation of the Network Code governance processes and hence Transco's discharge of its licence condition 4D "Conduct of Transportation Business".

In its decision letter to Modification Proposal 0679 - 'Formally Include the Network Code rules within the Network Code', Ofgem states that:-

"Ofgem notes that the Balancing & Settlement Code refers specifically to promoting efficiency in the implementation and administration of the balancing and settlement arrangements. However, in judging whether a change to the modification rules themselves would or would not be worthwhile it does not seem that an objective of this type adds any particular clarity. Ofgem holds the view that the current objectives as defined in Standard Condition 9 of the Gas Transporters Licence, in particular objective b), are adequate for judging the benefits of a modification proposal on rule changes, though Ofgem will continue to monitor the situation and give further consideration to the possibility of reviewing the Network Code objectives at a future date, if appropriate".

On the basis of the Ofgem decision letter for Modification Proposal 0679, Transco believes that the Proposal may better facilitate the relevant objectives as defined under amended licence standard condition 9 (b).

Transco would welcome views from respondents as to how they believe this Proposal may better facilitate the relevant objectives.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

No such implications have been identified.

b) development and capital cost and operating cost implications:

There are cost implications associated with the proposed obligations on Transco to produce high-level 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:

The Proposal does not state how such costs will be funded. Transco would welcome views from respondents regarding appropriate means by which costs for the provision of impact assessments should be funded.

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

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 major 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

Advantage

- Formalises areas of current Modification Code Rule process, potentially providing greater clarity and transparency
- Provides additional information in regard to system impacts to help respondents to assess the merits of a Proposal

Disadvantage

- Increased workload /costs to Transco's IS and Legal departments in the provision of high level impact assessments and legal text
- Potential delays in the preparation of Draft Modification Reports as a result of the requirement to provide impact assessments

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 Modification Proposal

A program of works will need to be developed.

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. Transco seeks views from respondents regarding the an appropriate implementation timetable.

16. Recommendation concerning the implementation of the Modification Proposal

Transco supports the intent of this Proposal, however Transco's recommendation cannot be determined until it has fully considered the views of responses to the Proposal.

17. Text

Transco seeks views from respondents in respect of the legal text provided by the proposer.

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:

Richard Court
Commercial Frameworks Manager
NT & T

Date: