

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0730
"Extending established Network Code governance arrangements to relevant Transco documents"
Version 1.0

Date: 11/11/2004

Proposed Implementation Date:

Urgency: Non-Urgent

Justification

To apply established best practice Network Code change control arrangements to a number of key industry procedural documents. The current arrangements are neither standardised nor entirely transparent and the objective is to achieve better governance through a more consistent application of such arrangements.

Nature of Proposal

A number of procedural documents which set out how Transco and users implement Network Code obligations are not currently subject to joint industry governance arrangements. This is despite the fact that many of the matters outlined in these documents can and do have a significant impact on the quality of service shipper-suppliers are able to provide to their customers.

Although many of these documents are referred to in the Network Code they are typically managed by Transco outside the Code. Amendments are invariably made at the discretion of Transco. Greater visibility of these documents is also desirable. Although updated documents are circulated and consulted on from time-to-time, these are not readily available to new users; indeed such users would not necessarily be aware the documents exist to ask for them in the first place.

This proposal specifies which existing industry documents should be subject to best practice Network Code change control procedures and also requires any new procedural documents that deal with how parties implement Network Code obligations to be subject to identical controls. The said documents would become known collectively as Network Code Procedures. An indicative list of Network Code Procedures initially covered by this proposal is attached (Appendix A).

This proposal also requires Transco to publish Network Code Procedures on an easily accessible website. Any document revisions would be given a version number with earlier versions continuing to be made available.

From time-to-time Transco would propose changes to a particular Network Code Procedure. Such changes would be subject to approval by majority vote of the Network Code Committee. The Network Code Committee could if it considers it appropriate (again subject to a majority vote) refer any proposed change to a relevant sub-committee, who would in turn consider the

matter and make recommendations to the Network Code Committee. Transco would also be required to bring any newly established Network Code Procedures to the Network Code Committee for approval. In effect this proposal confirms and clarifies the existing powers of the Network Code Committee that are already set out in Section V10 of the Code.

Although under this proposal Transco would continue to instigate all changes to Network Code Procedures, it would only be able to implement procedural changes by first formally satisfying industry stakeholders. Such arrangements would be consistent with approval processes established in industry codes elsewhere. It is also consistent with Ofgem's principles of good governance set out in their June 2003 consultation document "Gas Retail Governance – Further Consultation".

This proposal will help ensure robust, co-ordinated development of Network Code Procedures, ensuring effective implementation of particular Network Code obligations and in so doing will better facilitate relevant objective (a) the efficient and economic operation by the licensee of its pipe-line network. It will also make it easier for new entrants and potential new entrants to access and familiarise themselves with key industry processes thereby helping to promote relevant objective (c) the securing of effective competition between relevant shippers and between relevant suppliers.

Appendix A

Indicative list of Network Code Procedures covered by this proposal

Network Code Operations Reporting Manual
LDZ Shrinkage Adjustments Methodology
Invoice Query Estimation Methodology
Standards of Service Query Management Operational Guidelines
Network Code Reconciliation Suppression Guidelines
Guidelines for the Treatment of Shared Supply Meter Points
Operational Rules Governing the Supply of Invoice Charges via the Ad-hoc Process

Note the list is not exhaustive and consideration may need to be given to include other relevant procedural documents. The proposal envisages that any new procedural document established by Transco setting out detailed matters for the implementation of Network Code obligations should also be cover by this proposal.

Purpose of Proposal

The purpose of this proposal is to formalise existing Transco working practices set out in a number of key industry procedural documents under the governance of the Network Code Committee. This concept was first established at the inception of the Network Code in 1996. Indeed section V10.2 states:

"10.2 Functions of Network Code Committee

10.2.1 The function of the Network Code Committee shall (subject to paragraph 10.4) be to review such matters concerned with the implementation of the Code, and to do such other things, as are provided for by the Code.

10.2.2 To the extent that any procedure of the Network Code Committee is not provided for under this paragraph 10 or pursuant to 10.1.2, the Network Code Committee may by panel majority decide upon the procedures to be adopted by it.”

The proposal seeks to reduce the risk of proliferation and piecemeal development of Code procedural documents. Joint industry co-ordination and authorisation of these arrangements should help avoid inconsistency and fragmentation in the implementation of future arrangements.

Consequence of not making this change

Because Transco would not formally have to take account of the broader interests of shipper-suppliers, a failure to implement this proposal will mean Transco tending to exert disproportionate control over central procedures, processes and systems. Transco will be more likely to view these arrangements as ‘internal’ matters rather than something that should jointly be managed in the interests of all stakeholders.

Area of Network Code Concerned

Section V of the Network Code

Proposer's Representative

Christiane Sykes (E.ON UK plc)

Proposer

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Signature

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