

**Modification Report**  
**Removal Of Obligations To Install UK Link User Equipment and UK Link User**  
**Software for UK Link Users who utilise the services of an UK Link User Agent**  
**Modification Reference Number 0259**  
**Version 4.0**

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

**1           The Modification Proposal**

Uniform Network Code (UNC), Transportation Principal Document (TPD) Section V sets out the arrangements for an Applicant to become a Shipper User in relation to a System (National Transmission System or a Local Distribution System).

Section V2.1.2 (d) (i) requires that the Applicant User shall have secured compliance with the requirements under Section U prior to sending and receiving UK-Link communications, including:

- (i)       “the installation and connection of the UK Link User Equipment and the UK Link User software at the Applicant User’s premises.”

A number of UK Link Applicant Users utilise the services of a UK Link User Agent organisation which provides a UK Link Communication service. UK Link User Agent organisations perform this service using their own UK Link User Equipment and UK Link Software which interfaces with the UK Link Network.

To satisfy User Admission requirements, currently each individual Applicant User must secure the installation of UK Link User Equipment and UK Link Software at their own registered premises whether they intend to utilise the services of a UK Link User Agent or not. Where it is the intention of an Applicant User to procure the services of a UK Link User Agent organisation the UK Link User Equipment and UK Link User Software installed at an Applicant User’s own premises is rendered redundant.

Additionally xoserve have confirmed it is not technically possible to connect IX equipment to the IX network outside of the United Kingdom. Therefore User organisations located outside of the UK can not currently install UK Link equipment at their own registered premises and are required to install IX equipment at an Agent’s premises. Where additional equipment is installed at an Agent’s premises, this equipment would also be rendered redundant where an Agent utilises their own IX equipment.

This Modification Proposal seeks to amend the User Admission requirements to allow:

- an Applicant User who secures the services of a UK Link User Agent organisation (which already has operational UK Link Equipment and UK Link Software) not to be obligated to secure installation of UK Link Equipment or UK Link Software at its own premises or at the Agent’s premises where UK Link Equipment or UK Link Software is already installed.

Also, where UK Link Equipment or UK Link Software has already been installed and is not currently utilised this Modification Proposal would allow the removal of such equipment and software. For confirmation, where a User terminates their contract with a User Agent in line with UNC TPD V6.3.3 it would still be a requirement for a User to adhere to UNC TPD V2.1.2 (d) (i).

After discussions during the Distribution Workstream 23 July 2009 concerns were raised regarding a potential occurrence of a UK Link User Agent terminating a UK Link Users' service in the event that the agent stopped trading. This would require the UK Link User, where they did not have UK Link equipment installed to install UK Link equipment to ensure their UNC obligations were met, which could potentially take upwards of 40 days. The current contingency arrangement which allows UK Link Users to utilise the XP1 token process was briefly discussed and it was agreed that detail relating to this process would be added to this Modification Proposal as a basis for mitigating these concerns.

The XP1 token process allows UK Link Users to access Gemini for trading purposes utilising a secure dial up mechanism. Each UK Link User is provided with a XP1 Token and up to two further tokens are available on a chargeable basis. The utilisation of the XP1 token process would allow UK Link Users to continue to access Gemini securely for trading purposes until UK Link equipment was installed.

Based upon data provided by xoserve, from April 2006 to end March 2007 there were 16 new Users admitted, all of which had UK Link Equipment and UK Link Software installed. A breakdown of the 16 new Applicants indicates that there were 4 portfolio Shippers and 12 traders, of which 9 traders appointed a UK Link User Agent. The UK Link Equipment and UK Link Software installed at the 9 trader organisations' premises is currently not utilised.

## **2 User Pays**

### **a) Classification of the Proposal as User Pays or not and justification for classification**

Classified by the proposer as **not** User Pays. There are no costs associated with the implementation of this Modification Proposal.

### **b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification**

Not applicable.

### **c) Proposed charge(s) for application of Users Pays charges to Shippers**

Not applicable.

### **d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve**

Not applicable.

**3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

***Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;***

This Modification proposal would eliminate the obligation on the Transporters to provide UK Link Equipment and UK Link Software at Applicant Users' premises which is not required. This would result in a reduction in the annual expenditure for the provision and annual support of this equipment and software thus increasing the economic operation of the total pipe-line system.

***Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of***

***(i) the combined pipe-line system, and/ or***

***(ii) the pipe-line system of one or more other relevant gas transporters;***

Implementation would not be expected to better facilitate this relevant objective.

***Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;***

Implementation would not be expected to better facilitate this relevant objective.

***Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:***

***(i) between relevant shippers;***

***(ii) between relevant suppliers; and/or***

***(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;***

EDF Energy considers the UNC requires the installation of this equipment and software regardless of whether the Shipper intends to utilise the equipment. This is funded through a User Pays charge. Whilst the cost of this is understood to be relatively small, this cost could still (theoretically) represent a barrier to entry. This proposal could therefore be beneficial to competition by removing a theoretical barrier to entry, and so facilitate compliance with this Licence Condition.

***Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic***

*customers;*

Implementation would not be expected to better facilitate this relevant objective.

*Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;*

NGD considers implementation of this proposal would allow cost effective options to be adopted by the Transporters' Agent for the installation of UK Link Equipment and would provide a more flexible arrangement for shippers requiring access to UK Link. UK Link Equipment would only be installed where there is a new requirement for a User, or User Agent, to access the UK Link system, as well as permitting the disconnection and removal of redundant and / or duplicate hardware. The efficient management of IS systems reduces costs and is consistent with furthering this relevant objective.

**4 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

**5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:**

**a) Implications for operation of the System:**

No implications identified.

**b) Development and capital cost and operating cost implications:**

Implementation of this Modification proposal would realise a reduction in the annual expenditure for Transporters relating to the provision of IX equipment and related on going maintenance costs.

**c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

Not applicable.

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

None identified.

**6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

None identified.

- 7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

This Modification proposal would reduce the cost implications of providing the equipment and software associated with the UK Link System for Transporters.

- 8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

*Administrative and operational implications (including impact upon manual processes and procedures)*

None identified.

*Development and capital cost and operating cost implications*

Where prospective Shipper Users contract with existing UK Link User Agents for their UK-Link services and would therefore not require the installation new UK-Link equipment by the Transporter, there would not be a requirement for the User to pay the relevant User Pays charge (Service Item 6 (a) User Admission, “the delivery and installation of IX Equipment” referenced in the Transporters’ Agency Charging Statement as amended from time to time.

*Consequence for the level of contractual risk of Users*

None identified.

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

None identified.

- 10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal**

None identified.

- 11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

No further advantage has been identified.

## **Disadvantages**

None identified.

### **12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

<b>Respondent</b>	<b>Response</b>
British Gas	Supports
Corona Energy	Supports
EDF Energy	Supports
National Grid Distribution	Supports
National Grid NTS	Supports
Northern Gas Networks	Supports
RWE Npower	Supports
Scotia Gas Networks	Supports
Scottish and Southern Energy	Supports
Wales and West Utilities	Supports

In summary, of the 10 responses received, all supported implementation of the Modification Proposal.

A number of respondents consider there maybe a risk if a UK Link User Agent suddenly stops providing services to a Shipper. However, they recognise that the XP1 Token Process provides an acceptable alternative in the short term and therefore do not consider this issue to materially impact whether this modification should be approved or not.

### **13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation**

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

### **14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

**15 Programme for works required as a consequence of implementing the Modification Proposal**

No programme of works would be required as a consequence of implementing the Modification Proposal.

**16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)**

This Proposal could be implemented with immediate effect following direction from Ofgem.

**17 Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

**18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel**

At the Modification Panel meeting held on 19 November 2009, of the 10 Voting Members present, capable of casting 10 votes, 10 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

**19 Transporter's Proposal**

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

**20 Text**

The legal text for sections U2.2 and V2.1.2 is published alongside this report on the Joint Office website at [www.gasgovernance.co.uk/0259](http://www.gasgovernance.co.uk/0259).

For and on behalf of the Relevant Gas Transporters:

**Tim Davis**

**Chief Executive, Joint Office of Gas Transporters**