

UNC Modification		At what stage is this document in the process?
<h1 style="margin: 0;">UNC XXXX:</h1> <h2 style="margin: 0;">The Removal of Redundant Assets</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #00a651; background-color: #00a651; color: white; padding: 2px 5px; border-radius: 4px;">01 Modification</div> <div style="border: 1px solid #00a651; background-color: #e0f2f1; padding: 2px 5px; border-radius: 4px;">02 Workgroup Report</div> <div style="border: 1px solid #00a651; background-color: #e0f2f1; padding: 2px 5px; border-radius: 4px;">03 Draft Modification Report</div> <div style="border: 1px solid #00a651; background-color: #e0f2f1; padding: 2px 5px; border-radius: 4px;">04 Final Modification Report</div> </div>	
<p>Purpose of Modification:</p> <p>This Modification seeks to update the Offtake Arrangements Document (OAD) in order to bring it in line with industry changes made since 2005. The Request 0646R Workgroup has since identified that the Removal of Redundant Assets process should be introduced into OAD.</p>		
	<p>The Proposer recommends that this modification should:</p> <ul style="list-style-type: none"> be assessed by the Workgroup 	
	<p>High Impact: National Grid Transmission and all GDNs.</p>	
	<p>Medium Impact: None</p>	
	<p>Low Impact: None</p>	

Contents	
1 Summary	3
2 Governance	3
3 Why Change?	4
4 Code Specific Matters	5
5 Solution	5
6 Impacts & Other Considerations	6
7 Relevant Objectives	7
8 Implementation	7
9 Legal Text	8
10 Recommendations	10

Timetable	
The Proposer recommends the following timetable:	
Modification presented to Panel	XX XXX XXXX
Amended Modification considered by Workgroup	XX XXX XXXX
Workgroup Report available for Panel	XX XXX XXXX
Draft Modification Report issued for consultation	XX XXX XXXX
Consultation Close-out for representations	XX XXX XXXX
Final Modification Report available for Panel (short notice)	XX XXX XXXX
Modification Panel decision	XX XXX XXXX (at short notice)

Any questions?

Contact:
Joint Office of Gas Transporters

enquiries@gasgovernance.co.uk

0121 288 2107

Proposer:
Shiv Singh

shiv.singh1@cadenttgas.com

07580 999 287

Transporter:
Cadent

shiv.singh1@cadenttgas.com

07580 999 287

Systems Provider:
Xoserve

UKLink@xoserve.com

Other:
Darren Dunkley

Darren.dunkley@cadentgas.com

07768 102 196

Deleted: 6

Deleted: 7

Deleted: 8

1 Summary

What

Since the implementation of the OAD in 2005, a number of issues have been identified that need to be addressed. One such issue concerns the removal of redundant assets by the Site Owner.

Why

In its current form, OAD is silent on this area. As a result, it is open to interpretation which has at times resulted in an inefficient use of both time and resource of the parties concerned. The proposed changes would enable all parties to interpret a Code that is clear, concise, practical and consistent.

There are no clauses in OAD that allow the Site Owner to request the removal (as opposed to 'relocation') of Site User redundant assets. In this particular case, OAD leaves the Site Owner at a disadvantage. A new process has been agreed that would allow any Operator to request another Operator to remove an asset under defined situations.

How

The relevant sections of OAD are proposed to be modified, with new additions included as necessary, so that the resultant legal text satisfies the objectives of the Proposal.

The sections of OAD to be modified include:

- Section B – Connection Facilities.

The remainder of OAD will be reviewed to ensure there is no further impact.

2 Governance

Justification for Self-Governance

The Modification Panel determined that this Modification should be subject to Self-governance procedures on the basis that the necessary changes would have no material impact on the commercial activities of Shipper Users, Gas Transporters or Gas Consumers. This is because the proposed changes are to address process gaps that have come about as a result of new industry practice. Although we do not envisage any implementation costs, there may be consequential change costs.

Requested Next Steps

This Modification should:

- Be assessed by the Workgroup.

3 Why Change?

Background

Since the implementation of the OAD in 2005, a number of issues have been identified which need to be addressed and resolved. It has been identified that specific sections of OAD are unclear and ambiguous and require clarity to ensure all parties are able to interpret them in a consistent manner. Addressing these issues should lead to greater efficiency. The 0646R Workgroup has agreed that a number of changes to OAD should be made which cover:

- The Redundant Assets process.

OAD currently has provisions for a Site User to request the removal of redundant assets, and also for a Party to request another Party to 'relocate' an asset. There is though, no provision for a Site Owner to request a Site User remove redundant assets. This proposal seeks to address this gap in OAD.

The Detail

Redundant Asset Process

This new process is being introduced as an Operator has experienced a situation where a non-operational asset belonging to another Operator, has been left on site taking up space that could otherwise be used for something else.

The intent of this process is to allow any Operator to request another Operator to remove a non-operational asset under defined situations. This process is to apply to operational sites only i.e. not applicable to decommissioned sites.

Section B3.1.1

Clause states that "right to the Site User to retain such Connection Facilities on the Site Owner land." as per the date of the SA or following relocation. The issue here is that this right allows the Site User to leave assets in place even though they are not operational and there are no clauses in OAD that allow the Site Owner to request the removal of redundant assets, so it frees up space for any other use.

Section B3.6

This clause focuses on the Removal of Site User Facilities from only a Site User perspective. OAD provides no coverage for Site Owners to request the removal of Site Users assets, especially redundant assets given the right to retain stated in B3.1.1.

It should be noted that some Operators have Lease Agreements in place and where this is the case, the lease takes precedence over OAD. However, Lease Agreements generally specify whole site redundancy, such as 'end of life' and not specific assets.

The 'Proposal for the Removal of Assets v0.4' is included alongside this Modification.

4 Code Specific Matters

Reference Documents

Offtake Arrangements Document (found here: <https://www.gasgovernance.co.uk/OAD>)

Knowledge/Skills

An understanding of physical assets, access arrangements, etc would be advantageous.

5 Solution

Redundant Asset Process

Section B3.1.1 and B3.6

Request for Removal of Redundant Assets

To be amended to enable an operator to request the removal of a Connection Facility under the following criteria:

- The site owner requires the re-use of land or property where space is of a premium and assets that are currently in place have been seen to be non-operational for 12 months or more – New
- Site is operational and not decommissioned - New
- Request must be in writing and must include the asset(s) to be removed, the land required and the reasons why the land is required – New
- The requester must advise the receiving party if the land requirement changes once identified – New
- Receiving party to consider impact of request with response not to be unreasonably withheld or delayed – New

Option A

- Receiver to engage with requesting operator to seek a way forward that is acceptable to both parties: for the avoidance of doubt, if a lease agreement is in place OAD will not apply – New

Option B

- Receiver to engage with requesting operator to seek a way forward that is acceptable to both parties: for the avoidance of doubt, if a lease agreement is in place OAD will not apply, unless there is agreement between all parties that it does – New.

Process Flow will be contained within the Redundant Asset Process to be published alongside this Modification as a subsidiary document in OAD.

Cost Allocation

- Cost at expense of asset owner where request is based upon the following reasons:
 - Health - New
 - Safety - New
 - If not feasible for an operator to relocate an asset, then can request they remove it - New

- For all other requests:
 - Cost to be identified and agreed in advance – New
 - Determine if there is any regulatory funding in place to decommission the asset. If so, then this should dictate who will bear the financial responsibility for the work - New
 - If there is no regulatory funding in place:
 - Where costs are not in excess of the threshold stated in the Redundant Asset Process subsidiary document, they are to be shared on a 50-50 basis - New
 - In all other cases, the asset owner will propose a cost contribution proposal factoring in which costs (maintenance and other) will be avoided through decommissioning. That proposal can be challenged and if an agreement is not ultimately forthcoming, would result in an independent decision. - New
- An operator may allow another operator to remove the agreed assets on their behalf subject to the application of the required engineering governance - New
- Cost, or shared cost, to be recovered via the provisions under Section L - New

Disputes

- Where the escalation of a dispute remains unresolved parties to seek settlement via the existing dispute process contained within UNC OAD Section A: Scope and Classification.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

There is no impact on any Significant Code Review.

Consumer Impacts

There is no impact on consumers on the basis that the Modification is solely associated with Transporter to Transporter issues.

Cross Code Impacts

No other industry codes are affected.

EU Code Impacts

There is no impact on any EU Code.

Central Systems Impacts

There is no impact on any central systems.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
b) 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.	Positive
c) Efficient discharge of the licensee's obligations.	None
d) 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.	None
e) 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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Redundant Asset Process

This section of the Modification facilitates GT Licence relevant objective a) *Efficient and economic operation of the pipe-line system*, b)(i) *Coordinated, efficient and economic operation of the combined pipe-line system* and f) *Promotion of efficiency in the implementation and administration of the Code* as it provides clarity on OAD matters impacting the Gas Transporters, thus enabling effective communication between parties, and a more efficient use of assets contained within their Systems.

8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

9 Legal Text

Text Commentary

<u>Reference</u>	<u>Explanation</u>
Offtake Arrangements Document	
Section B – Connection Facilities	
Paragraph 3.1.1	To make clear the Site User's right to have equipment installed on the Site Owner's land is without prejudice (and subject) to the new rules allowing a Site Owner to request the Site User to remove redundant assets, and the application of the new 'Redundant Asset Removal Procedures'.
Paragraph 3.6.4	New rule to allow Site Owner to request Site User remove a 'redundant' asset and where relevant for new Offtake Subsidiary Document, the 'Redundant Asset Removal Procedures' to apply.
Paragraph 3.6.5	New definitions of a 'redundant' asset and the 'Redundant Asset Removal Procedures'.
Paragraph 3.6.6	To make clear where a redundant asset is removed the Site User no longer has a right to have the asset installed or to receive shelter or support for the asset from the Site Owner.
Paragraph 3.6.7 (Option A)	The right to request the removal of an asset does not apply where the Site Owner has granted the Site User a lease or other land right in relation to the land the Site User occupies (so that OAD rules are not in conflict with any other grant of rights).
Paragraph 3.6.7 (Option B)	The right to request the removal of an asset does not apply where the Site Owner has granted the Site User a lease or other land right in relation to the land the Site User occupies (so that OAD rules are not in conflict with any other grant of rights), unless all parties agree that it does.
Section N - General	
Paragraph 1.2.1	To add one new Offtake Subsidiary Document, the Redundant Asset Removal Procedures.

Text

SECTION B – CONNECTION FACILITIES

Amend paragraph 3.1.1 to read as follows:

3.1.1 In relation to any Site User's Facilities, the Site Owner hereby grants, subject to paragraph 3.6 to the Site User the right for the Site User to retain such Connection Facilities on the Site Owner's Land, in such places as those Connection Facilities:

- (a) were or are located at the Supplemental Agreement Date; or
- (b) are subsequently relocated pursuant to paragraph 3.3.

Amend paragraph 3.6 to read as follows:

3.6 Removal of Site User's Facilities

3.6.1 The Site User shall be entitled to remove (and/or relocate to land for which it is Site Owner) any of the Site User's Connection Facilities, subject to and in accordance with paragraph 2.2 (for the purposes of which "relocation" shall include removal).

3.6.2 The Site Owner shall provide reasonable cooperation and assistance to the Site User in connection with the removal of the Site User's Facilities pursuant to paragraph 3.6.1.

3.6.3 Where the Site User's Facilities are removed pursuant to paragraph 3.6.1:

- (a) the Site User shall (at its cost) carry out such reinstatement or other works as are reasonably necessary to leave the Site Owner's Connection Facilities in a safe and reasonable condition following the removal of the Site User's Facilities;
- (b) the Site User's rights (in relation to such facilities) under paragraphs 3.1 and 3.2 shall lapse.

3.6.4 Subject to paragraph 3.6.7, the Site Owner shall be entitled to request the Site User to remove any of the Site User's Facilities which are redundant, and where the Site Owner requests the removal of redundant assets;

(a) each of the Site Owner and the Site User will comply with the Redundant Asset Removal Procedures;

(b) each Party will provide reasonable cooperation and assistance to the other Party in connection with the removal of the redundant Site User's Facilities

3.6.5 For the purposes of paragraph 3.6.4:

(a) Site User's Facilities will be "redundant" where the facilities satisfy the relevant criteria set out in the Redundant Asset Removal Procedures;

(b) the "Redundant Asset Removal Procedures" are the procedures which:

- (i) identify the criteria by which a Site User's Facilities will be considered to be redundant;
- (ii) set out the basis on which the Site Owner and the Site User shall bear or reimburse the other in respect of the costs and expenses of removing redundant Site User Facilities.

3.6.6 Where redundant Site User Facilities are removed pursuant to paragraph 3.6.4 the Site User's rights (in relation to such facilities) under paragraphs 3.1 and 3.2 shall lapse.

Option A

3.6.7 The Site Owner shall not be entitled to make a request under paragraph 3.6.4 where it has by way of an instrument of the type referred to in paragraph 1.1.4 granted another Party a right at or in connection with the Offtake Site.

Option B

3.6.7 The Site Owner shall not be entitled to make a request under paragraph 3.6.4 where it has by way of an instrument of the type referred to in paragraph 1.1.4 granted another Party a right at or in connection with the Offtake Site, unless agreed by all parties.

SECTION N – GENERAL

Amend paragraph 1.2.1 to read as follows:

1.2.1 In this Document, "Offtake Subsidiary Document" means each of the following documents:

- (a) the SCO Interface Procedures (referred to in Section C3);
- (b) the Offtake Communications Document (referred to in Section M);
- (c) the Validation Procedures (referred to in Section D3);
- (d) the Emergency Procedures E2 (referred to in Section C2.3);
- (e) the document TD76 (referred to in Section H1.3.1);
- (f) the Transmission System Operator to Distribution System Operator Agreement Guidelines (referred to in Section N9);
- (g) the OAD Template Agreements Document (referred to in Section A3.1.1 and paragraph 3.1.2);
- [\(h\) the Redundant Asset Removal Procedures \(referred to in Section B3.6\);](#)
- (i) any other document which may be specified or may be agreed by the Parties to be a Offtake

10 Recommendations

Proposer's Recommendation to Workgroup

Workgroup is asked to:

- Assess this Modification and agree it is suitable to be issued to consultation.