

## Stage 04: Final Modification Report

# 0462:

## Introducing Fast Track Self Governance into the Uniform Network Code

At what stage is this document in the process?



This modification looks to implement a Fast track self-governance capability into the UNC Modification Rule as introduced by the Authority's Code Governance Review (Phase 2).



The Panel recommends implementation



High Impact: -



Medium Impact: -



Low Impact: All parties

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19 December 2013

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## About this document:

This document is a Final Modification Report, presented to the Panel on 19 December 2013.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.



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# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification.

## Why Change?

The Modification Rules do not allow for the provisions in the Transporter Licence that the Rules should include a fast track self governance (FTSG) process.

## Solution

It is proposed to implement into the UNC the FTSG process as introduced by the Code Governance Review (Phase 2). This will include the definition of FTSG criteria as well as the process to be followed for Modification Proposals which meet the FTSG criteria including an objection process as per the Licence condition. Following workgroup discussion the basic option for implementation has been agreed upon and is now reflected in the modification.

## Relevant Objectives

Implementation would align the Modification Rules with the provisions of Standard Special Condition A11, and so facilitate efficient discharge of the licensee's obligations. It would also introduce a proportionate process for dealing with housekeeping changes to the UNC and so promote efficiency in the implementation and administration of the Code.

## Implementation

No implementation timescale is proposed.

# 2 Why Change?

As part of the second phase of the Code Governance Review (CGR2), the Authority determined that a FTSG be introduced into relevant industry codes. This has been decided in order to manage industry participants' and Authority time and effort around minor housekeeping modifications. There is no provision in the UNC for a FTSG process.

# 3 Solution

This modification introduces FTSG arrangements into the UNC and will set out the definition, process and criteria as per the Gas Transporter Licence Conditions. The Licence conditions for FTSG states the following:

*"12G. The network code modification procedures shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 12G (the "fast track self-governance route") where:*

- a. in the unanimous view of the panel, the proposed modification meets all of the fast track self-governance criteria;*
- b. the panel unanimously determines that the modification should be made;*
- c. parties to the uniform network code and the Authority, have been notified of the proposed modification;*
- d. none of the persons named in sub-paragraph (c) have objected to the proposed modification being made via the fast track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and*

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e. notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.”

“fast track self-governance criteria” means that a proposal that, if implemented,

a. would meet the self-governance criteria; and

b. is properly a housekeeping modification required as a result of some error or factual change, including but not limited to:

i. updating names or addresses listed in the network code and/or the uniform network code;

ii. correcting minor typographical errors;

iii. correcting formatting and consistency errors, such as paragraph numbering; or

iv. updating out of date references to other documents or paragraphs.”

Based on the above Licence Conditions and discussions held at the Governance Workgroup on the 19<sup>th</sup> September the modification proposed to implement a basic solution. This solution involve simply classifying the FTSG as Self Governance modifications where they fulfil the FTSG criteria but with the ability for the Panel to implement these directly, without going to consultation. If the Panel agree that the modification satisfies the FTSG criteria but then fail to unanimously agree to implement the modification then the modification will be classified as Self Governance. The Self Governance modification will then follow the existing process for new modifications.

As per the Licence condition, an objection process will also be put in place stating that parties have 15 days to object following the Panel determination to implement. If an objection is received the modification will then be returned to Panel for re-consideration as a new modification but without the ability to classify the modification as FTSG.

This option is easier to implement than a more detailed solution and requires less amendments to the code but the full modification template will need to be completed for each change including User Pays and Relevant Objectives.

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification.
There will be no system change costs associated with this Modification, and so this is not classified as User Pays.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.
N/A
Proposed charge(s) for application of User Pays charges to Shippers.
N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
N/A

## 4 Relevant Objectives

Impact of the modification on the <b>Relevant Objectives:</b>	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
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.	None
c) Efficient discharge of the licensee's obligations.	Positive
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

### **Relevant Objective (c): Efficient discharge of the licensee's obligations**

Implementation would deliver improved alignment between the Uniform Network Code and Standard Special Condition A11 of the GT Licence. This is because changes have been made to the Licence specifying that the network code modification procedures should provide for a fast track self governance process, which is not currently provided for in the modification procedures. Implementation would therefore facilitate efficient discharge of the licensee's obligations with respect to SSC A11.

### **Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code**

Introducing a fast track self-governance process for implementing changes to the UNC will provide a proportionate and efficient mechanism for dealing with unanimously agreed minor administrative or housekeeping changes. Implementation would therefore facilitate efficiency in the implementation and administration of the Code.

## 5 Implementation

This Modification requires a change to the modification procedures. It does not require any system change and has no implementation costs associated with it.

This modification delivers alignment of the UNC Modification Rules with those sections of SSC A11 relating to a fast track self-governance process. The inclusion of this process in the Modification Rules is required such that Transporters are compliant. The relevant condition should therefore be incorporated into the UNC as soon as possible.

## 6 Legal Text

### Text

Suggested Text was provided by the Proposer, Scotia Gas Networks. This was confirmed as final Text at the November Modification Panel meeting and is published alongside this Report.

EDF noted a number formatting issues throughout the legal text issued for consultation and that it would need to be revised. They also noted a typographical error to paragraph 6.2.1 m. (referenced the live UNC document not proposed UNC text).

## 7 Consultation Responses

Representations were received from the following parties:

Company/Organisation Name	Support Implementation or not?
British Gas	Support
EDF Energy	Support
Gazprom	Support
Northern Gas Networks	Support
RWE npower	Support
Scotia Gas Networks	Support

Of the six representations received implementation was unanimously supported.

## 8 Panel Discussions

The Panel Chair summarised that Modification 0462 introduces fast track self-governance arrangements for dealing with unanimously agreed minor administrative or housekeeping changes to the UNC which in turn would further promote efficiencies in the implementation and administration of the Code.

Members recognised that implementation would align the Modification Rules with the provisions of Standard Special Condition A11, and so facilitate efficient discharge of the licensee's obligations. It would also introduce a proportionate process for dealing with housekeeping changes to the UNC and so promote efficiency in the implementation and administration of the Code.

Members also noted Ofgem's earlier comments that the fast track self-governance arrangements should not lead to any reduction in the quality of legal text in modifications and agreed that this was something that the Panel would keep under review.

Members considered the representations received noting EDF Energy's comments with regards to the number formatting and typographical error in paragraph 6.2.1m and recommended that the legal text is amended.

Members considered relevant objectives (c) and (f) and voted unanimously in favour that implementation of Modification 0462 would; deliver improved alignment between the Uniform Network Code and Standard Special Condition A11 of the Transporter Licence for the provision of a fast track self governance process, which is not currently provided for in the modification rules, and would promote efficiency in the implementation of modifications; and provide a proportionate and efficient mechanism for dealing with unanimously agreed minor administrative or housekeeping changes. Members therefore unanimously recommended that the modification should be implemented.

## 9 Recommendation

### Panel Recommendation

Having considered the Modification Report, the Panel determined:

- that proposed Modification 0462 should be made.