

National Grid Gas Distribution Limited

UNC Modification Proposals 0609/0609A

Self-Governance determination

15th February 2017

Why are self governance procedures no longer appropriate?

- 0609 Non-material and consequently 19th January 2017 Modification Panel determined Self-Governance applies
- 0609A subsequently raised – identical to 0609 except that full 2017 AQ Review should be conducted by Xoserve (irrespective of PNID)
- NGGD believes additional requirement in 0609A is material
- Relates to SG criteria:
- ‘Competition in, or commercial activities related to, the shipping, transportation or supply of gas’
 - AQ Review largely superfluous if PNID is prior to 1st October 2017
 - Full validation of AQs as part of review inefficient use of Xoserve resources which are likely to be diverted from Nexus implementation support – risk to Nexus?

Why are self governance procedures no longer appropriate?

- Additional Xoserve manpower resource requirement amounting to circa 12 FTEs
- Cost of AQ Review would be in region of £300 – 500k - constitutes a sunk cost
- Shippers may choose to:
 - undertake robust AQ2017 work (possibly compromising their own Nexus delivery requirements) or;
 - Elect not to undertake AQ 2017 work and focus on PNID
- Behaviours driven by PNID 1st June 2017 imperative may lead to AQ treatment inconsistencies in unlikely event PNID is deferred to post October 2017?

Why are self governance procedures no longer appropriate?

- Larger and Smaller Shipper may behave differently based on resource availability to conduct 2017 AQ validation in addition to Nexus requirements leading to greater inconsistency?
- Must report to Panel on both Modifications by March 2017 (whether SG or not)
- Identified as programme risk at 6th February 2017 PNSG