

Stage 01: Proposal


What stage is this document in the process?


- 01 Proposal
- 02 Workstream Report
- 03 Draft Modification Report
- 04 Final Modification Report


0338 Remove the UNC requirement for a 'gas trader' User to hold a Gas Shipper Licence

Provision within the Uniform Network Code to allow for users who do not convey gas to become signatory to the UNC without holding a Gas Shipper Licence.

 The Proposer recommends Delivery of Development report to Panel for 0338 in or before April 2011

 High Impact: To be confirmed in development

 Medium Impact: To be confirmed in development

 Low Impact: To be confirmed in development

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0338
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About this document:

This document is a Development Modification, which will be presented by the Proposer to the Panel on 21 April 2011. The Panel will consider the Proposer's recommendation, and agree whether this Proposal should proceed to consultation or be referred to a Workgroup for development.



Any questions?

Contact:

Dave Corby



David.Corby@uk.ngrid.com



01926 654912

Proposer:

Dave Corby



...@...



000 0000 0000

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What is the National Balancing Point?

This is the notional point on the National Transmission system between all inputs and all outputs. See the UNC Section...

1 Summary

Why Change?

Currently a party that wishes to accede to the UNC must first demonstrate that it holds a current and valid Gas Act Shipper Licence. In early September 2010 Ofgem implemented revisions to their regulations for applications for Gas and Electricity Shipping Licences as per consultation 74/10. National Grid Transmission's response to 74/10 noted that the revocation of 'dormant' licences as described in Section 3 of 74/10 would give rise to a situation whereby entities would need to be able to accede to the UNC without having a relevant Gas Shipper licence, but only for those activities which do not involve the conveyance of gas, i.e. the trading of commodity at the National Balancing Point (NBP).

Solution

This modification proposes to introduce a new type of User so as to distinguish:

- Users involved in the conveyance of gas, or arranging for the conveyance of gas.
- Users whose activities involve only the non-physical trading of gas at the NBP.

This modification recognises that both types of User should be able to accede to the UNC. This modification further proposes that it is the User's responsibility to ensure that it has the appropriate licence in place prior to undertaking the relevant activities described in the UNC.

Impacts & Costs

To be provided during development phase.

Implementation

As the revised licence regulations are already in place the modification needs implementing as soon as is reasonably practical.

The Case for Change

This modification supports Relevant Objective D: Securing of Effective Competition

Recommendations

The proposer recognises that the Panel has requested this Modification be discussed at the Transmission Workstream for not more than 6 months.

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2 Why Change?

Revised Licence Regulations

Ofgem consultation 74/10 "Gas and electricity licences – Proposed changes to the Applications Regulations and Revocations Schedules of future licences" was published on 17th June 2010. This consultation proposed several changes to the Gas Act licensing process, part of which concerned the reduction in numbers of dormant licences.

One definition of dormant licences concerns entities who hold a Gas Shipper licence for the purpose of admission to the UNC, but who do not undertake any activity falling within the remit of the licence, i.e. either the physical conveyance of gas or arranging for the conveyance of gas.

Therefore, in order to reduce the numbers of dormant licences, the consultation sought views on removing the need for entities to hold a Gas Shipper licence if they do not intend to convey gas, but still allow them to become a signatory to the UNC in order to engage in other activities, e.g. commodity trading at the National Balancing Point.

Following that consultation Ofgem implemented their revised Licence regulations on 3rd September 2010:

<http://www.ofgem.gov.uk/Licensing/Work/Documents1/AppRegsDecisionFinal.pdf>

Currently the UNC requires all signatories that wish to register NBP trades, other than as a Market Operator, Residual Balancer, Operating Margins Manager or NTS Shrinkage Manager, must hold a Gas Shipper licence.

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What is the TPD?

TPD is the Transportation Principle Document.

Gas Traders Modification

To facilitate compliance with the revised licence regulations this UNC Modification proposes to allow entities to become a signatory to the UNC without having to first acquire a Shipper licence. Conversely, this UNC Modification also proposes that all entities wishing to undertake licensable activity are required to hold the relevant licence.

The current UNC defines "Shipper User", listed in the defined terms as defined at TPD B2.2.1(a), and "Users", listed in the defined terms as defined at B2.2.1(i). This modification proposes to add a new defined term, "Trader User", also defined in Section B2.2.1. The exact definition, and to which Sections of the UNC it applies, is very important to determine the correct applicability. To avoid clashes with existing UNC terms a Trader User (TU) is to be defined in general as not being included within the definition of "User". Where TU is included under the definition of "User" it will be noted by exception. In this case the applicable UNC Sections will be clearly identified as applying to a TU. For example, Section B of the TPD describes 'Users' as entities that can book Capacity and being in this Section TU would not give access to that Section. With no change to the current UNC text TUs would not be entitled or obligated to undertake activities described in this Section.

The new definition in Section B will give a high-level definition of the UNC activities acceded to by being classified as a TU. However, the definitive detail of UNC paragraphs applicable to the TU role will be defined in each Section in a similar fashion to the paragraphs that currently define the applicability of DNO Users (see TPD B1.12 as an example of this).

UNC Introduction

The UNC Introduction and defined terms lists are generalised and would be applicable to TUs admitted to the UNC.

Transportation Principle Document Changes

Detail of the access to UNC Sections gained by admission to the TU role is given below:

TPD A: This Section defines systems classification, and as such applies to TUs in that it supports other Sections that TUs must have access to.

TPD B: TUs would not have access to this Section as Capacity booking lies outside of the activities that TUs would be admitted to, i.e. capacity booking is considered to be an activity that relates to "arranging for the conveyance of gas" and therefore requires the party to hold a Shipper licence.

TPD C: TUs would be relevant Users in regard to Section 5, Trade Nominations, while being exempted from access to the rest of Section C. A paragraph to define TU access shall be added at, or in relation to, 5.5.4, and have similar paragraphs defining non-applicability of TUs to Section C 1, 2, 3 and 4.

TPD D: TUs shall be given admission to D2, Trading Arrangements, but solely for the purposes of "Non-physical Market Transactions", D2.2.1(e). This is more complex than adding a simple paragraph at the end of the Section; it is proposed that paragraph D2.2.1(j) be modified to admit "Trader User" as a "Trading Participant" for the purposes of Non-Physical Transactions only. Annex D shall then follow on without modification. This Modification also proposes that a new paragraph be added to ensure that TUs shall not act in a manner that jeopardises, or at the time could be envisaged at some future point to

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potentially jeopardise, the safe and efficient operation of the pipeline system. This shall follow a similar form to the existing text of the Shipper Licence Standard Conditions 3, paragraph 2.

TPD E: Daily Quantities, Imbalances and Reconciliation considers that Daily Imbalance is calculated between the UDQI and UDQO quantities, then adjusted to take into account Trade Nominations (E 1.2.2). TUs, who can only make non-physical trades, would default to a value of 0 for each quantity, and as such, Section E1.1 is not relevant to TUs but there appears to be little harm in their inclusion. However, they should incur imbalance under this Section of the UNC if they have not balanced their sell and buy Trade Nominations. Therefore, at least Section E 1.2 shall be applicable to TUs.

Similarly, there are several other Sections of E 1 that relate only to the conveyance of gas and therefore shall not apply to TUs. These include Sections 1.3 "Reconciliation", 1.4 "System Daily Quantities: Entry", 1.5 "System Daily Quantities: Exit from NTS/LDZ", and 1.9 "Combined Entry and Exit Quantities".

Sections in E 1 that shall apply to TUs were they to incur an imbalance as a result of Trade Nominations include 1.6 "Information", 1.7 "Scottish Networks", 1.8 "Close-out Rules" and 1.10 "Energy Balancing on the NTS". This Modification proposes to add extra paragraphs to each of these Sections to show TU applicability.

For the avoidance of doubt, this Modification will only change the above Sections to allow for the capture of imbalance on TUs as a result of their activities in relation to the UNC.

Sections E 2, 3 and 4 concern Input and Output quantities, and shall not apply to TUs as to do so would envisage such parties undertaking conveyance of gas.

Section E 5 captures the calculation of Imbalance including Trade Nominations and shall apply to TUs. A new paragraph shall be inserted at, or in relation to, 5.4 to show application to TUs.

Sections E 6, 7 and 8 all concern reconciliations of Supply Points and shall not apply to TUs.

Section 9 concerns Class A Contingencies, including for the provision of information as described under E1.6, and so shall apply to TUs.

Section E 10 concerns Unallocated Gas, and shall not apply to TUs.

TPD F: System Clearing, Balancing Charges and Neutrality describes the charges arising from any User incurring an imbalance, and as such shall apply to TUs. TUs shall be applicable to Sections F 1.1 and 1.2, which define Balancing Charges and System Prices, but not Sections 1.3, 1.4 or 1.5.

Section F 2 concerns Daily Imbalances, and shall be applicable to TUs.

Section F 3 concerns Scheduling Charges, and shall not be applicable to TUs as TUs cannot make Input Nominations, nor physically deliver gas to / offtake gas from to the System.

Section F 4 concerns Balancing Neutrality Charges, and shall not be applicable to TUs. Section 5 and 6 concern Reconciliation, and shall not be applicable to TUs.

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TPD G, H, I, J: These Sections all concern either conveyance of gas (e.g. Section G, Supply Points), or Transporter only activities (Section H, Demand Estimation and Forecasting). These Sections shall therefore be defined as not being applicable to TUs.

TPD K: This Section concerns mostly Transporter activities, and any interactions therein with users require the conveyance of gas. Therefore, TUs shall not gain access to this Section upon admission to the UNC. For the avoidance of doubt, a TU type User shall not be entitled to trade gas whilst it is within a storage facility, at Entry / Exit points, etc. and therefore shall not be party to storage type Trades for purposes of Operating Margins.

TPD L, M, N and O: These Sections concern Transporter activities and Metering, and as such TUs shall not gain access to them upon admission the UNC.

TPD Q, Emergencies: This Modification proposes that Trader Users shall not be exempted from the emergency rules as any imbalance position they have built up in relation to a gas day will potentially contribute to the emergency. As with Section D this modification proposes to add paragraphs to ensure that TUs shall not act in a manner that jeopardises the safe and efficient operation of the system.

Section 1, General, concerns the identification of an emergency and the requirement for Users to cooperate with the NEC. This Modification proposes that TUs shall apply under the definition of Users in this Section (notwithstanding 1.5, 1.6 and 1.7 to which TUs shall not apply). However, since TUs would not hold a Shipper Licence, they would have no licence conditions providing an obligation to cooperate with those parties managing the emergency. To ensure that TUs act in a manner conducive to avoiding or, in the event, the successful management of a Gas Supply Emergency, this modification proposes to add new paragraphs in Section Q 1.12. The new paragraph shall replicate Shipper User's licence obligations to cooperate for TUs, worded much as per the Shipper Licence Standard Condition 5 (2), but altered to reflect "Trader User" in place of "licensee".

Section 2, Emergency Preparedness, shall be applicable to TUs, excepting that certain Sections relate only to Supply Points, and so Sections 2.1.2 (but not Section 2.1.1), 2.3, 2.4 and 2.5 shall not apply.

Section 3, Occurrence of a Gas Supply Emergency, concerns the activities undertaken during the emergency. The current text concerns the SO asking for physical actions to balance the system, and as such the existing text shall not apply to TUs. However, this modification envisages that TUs shall have actions that the SO may require of them which can contribute to resolving an emergency. Therefore this modification proposes to add a new paragraph at, or in relation to, Section 3.3.5 (Supply-side Steps) to describe that a TU shall comply with National Grid's instructions to the extent that they are able to do so.

This modification proposes that Section 3.4 (Demand-side Steps) shall not apply to TUs.

Section 4, Consequences of Emergency, shall apply to TUs.

Section 5, Safety Monitor and Firm Gas Monitor, shall not apply to TUs, excepting where information is communicated to Users (e.g. Section 5.2.1).

Section 6, Emergency Curtailment, applies only to Supply Points, and so this Section shall not apply to TUs.

Section 7, Storage Curtailment, shall not apply to TUs.



What is the NEC?

NEC stands for Network Emergency Coordinator, defined at TPD Section Q 1.1.1(c)



What is the IX?

IX stands for Information Exchange, and is the electronic system that all Shipper Users are required to install to access the UK-link suite of systems.

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Section 8, Class A Contingencies, shall apply to TUs.

TPD Section R concerns the conveyance of gas (Storage) and therefore shall not be applicable to TUs.

TPD Section S concerns Invoicing and Payment. TUs are able to incur Daily Imbalance Charges as described in Section E, and as such all of Section S shall be applicable to TUs.

TPD U: UK-Link: This Section has recently been modified (Mod 259) to remove the requirement for Shippers to install and maintain the IX. Therefore, TUs shall gain admission to this Section and be considered under the definition of "User" therein, and may or may not choose to have IX equipment installed.

TPD V, General: This Section describes both the admission rules (Section V2) and the Termination rules (Section V4). This Modification proposes that new paragraphs be added at, or in relation to, Section 2.1.6 for "In order to become a Trader User", with similar content and detail to Section V 2.1.2, but altered to reflect only sub paragraphs (a), (d), (f), (e), (g) and (h). Also, Section 2.6 shall have additional paragraphs to detail the UNC Sections to which Trader Users are acceded to.

Sections V 1, 2 and 3 shall apply to TUs, notwithstanding the changes described above.

Section V 4 shall also apply to TUs, but would need modification at paragraph V 4.1.6 to distinguish that that paragraph applies solely to Shipper Users.

Section V5 is data protection, and shall apply to TUs.

Section V6 is User Agents, and shall apply to TUs.

Section V7 is Transporter as user and shall not apply to TUs.

Section V8 is Liabilities, and shall apply to TUs.

Section V9 is Neutrality audit for NTS and so shall not apply to TUs.

Section V10 is Compensation in the event of non delivery of gas, and so shall not apply.

Section V11, General, contains nothing of relevance to TUs and shall not apply.

Section X, Energy Balancing Credit: as described above for Section E, it is possible for a User Trader, to be in an imbalance position at end of day. Therefore, Section X shall apply to TUs.

Section Z is NG Storage, and shall not apply to TUs, which shall not be able to inject and withdraw from storage, as this would constitute conveyance of gas.

Transition Document

Parts I and IIA of the Transition Document are the general Sections, which apply to all Users, and shall therefore include TUs. Section IIB applies to Transporters only, and so shall not apply to TUs.

Section IIC, which details the specific transition arrangements, contains: 1.1 (refers to TPD Section B - Capacity); 1.2 (Section J - Exit); 1.3 (Section M - Metering); 1.4 (Section R – Storage); 1.5 (Section S – Reconciliation Invoice); 1.6 (OAD); 1.7 (Section G – Supply Points); 1.8 (Section Z – NG LNG storage); 1.9 (Section G – Supply Points). These Sections all refer to activities involving the conveyance of gas, and therefore TUs shall be exempted

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from admission. However, Section IIC shall apply to TUs in general, such that opposite and future transition arrangements which would apply to TUs are correctly applied. Therefore, each individual Section needs a separate paragraph to indicate where TUs apply.

Section IIC 2 Concerns Constraints and Market Balancing Actions by the Transporter. This Modification proposes that TUs' ability to register Trade Nominations shall not be restricted in an emergency and therefore this Section shall apply to TUs.

Section IIC 3 through 12 concern either UK-link update (time-bound to 2008), Interruption or Exit Capacity. Therefore these Sections either have no impact on TUs or are relevant to conveyance of gas, and TUs shall therefore not apply.

Section IID: Flexibility Bidding. TUs shall be excluded as the definitions at IID: 2.1.1 (a) and (b) clearly define the bid as being made to deliver extra commodity, of off-take extra commodity, either of which is conveying gas. Trader Users shall not apply to this Section.

Section III concerns the Offtake Arrangements Document, to which TUs shall not apply (see below).

Modification Rules

Section 1 of the Modification Rules is the introduction, and TUs shall be included within the definition to "User" here. Trader Users shall accede to the Modification Rules.

Therefore Section 2.1, the defined terms, which currently defines both Relevant Shipper and User, shall be modified to include Trader Users.

Section 3, The Modification Panel, concerns the constitution of the Panel and makes provision for the inclusion of User representatives. TUs shall be applicable under the definition of "User" for this Section.

Sections 4 and 5 concern rules for Panel membership and the Panel meetings, both of which shall be applicable to TUs.

Section 6 describes, amongst other things, the relevant persons and representatives, and shall be updated to include Trader Users.

All other Sections of the Modification Rules (7 through 12) are general to the Rules, and shall be applicable to TUs upon admission.

This modification proposes that TUs' ability to raise UNC Modifications shall be restricted such that they can only raise Modifications to the sections which this modification deems are applicable to the TU role as detailed elsewhere within this document. This restriction shall be in a similar manner to that already within the UNC for 3rd Party modifications.

General Terms

Section A of the General Terms concerns Dispute Resolution. This shall be relevant to TUs upon admission, and therefore the definition of "Users" here (A1.1.2) shall include TUs.

Section B, General, shall be applicable to TUs, but shall include some changes as follows:

Paragraph 2.2.1, definitions of Users, add "Trader User".

Paragraph 2.3.3, References to a Party, include TUs as potential parties.

TUs to be appended at 2.4.1 (Effect of Code and liabilities) to include TUs. Also, append TUs to 2.4.4 to include TUs alongside Shippers.

Paragraph 4, UNC Committee; TUs to be included in "Users" definition.

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Paragraph 5, Notices and Communications, include TUs as potential parties.

Paragraph 6, General, references parties and Users, TUs shall be relevant to both.

Section 4: C, Interpretation, is generalised and TUs shall be applicable.

Offtake Arrangements Document

This modification has not considered a detailed walk-through of the OAD, but proposes that the Offtake Arrangements can only relate to the conveyance of gas so this entire document is not applicable to Trader Users by definition.

Other Documents

We also propose that the User Pays Guidance Document be amended to include TUs. For the purposes of User Pays a TU shall be identified along side, and for all intents and purposes the same as, Shipper Users.

A marked-up version of the proposed changes to the User Pays Guidance Document is attached as an appendix to this proposal.

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4 Relevant Objectives



The Proposer believes that this Modification will better facilitate the achievement of

Relevant Objective D: Securing of Effective Competition and **Relevant Objective F: Promotion of efficiency in the implementation and administration of the Code**

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Proposer's view of the benefits of 0338 against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	
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.	
c) Efficient discharge of the licensee's obligations.	
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.	Reduction of barriers to competition
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.	
f) Promotion of efficiency in the implementation and administration of the Code	Improved efficiency in administration.

Securing of Effective Competition

The proposer notes Ofgem's recent consultation 74/10 "Gas and electricity licences – Proposed changes to the Application Regulations and Revocation Schedules of future licences" and considers as such that this proposal to facilitate the accession of parties to the UNC without requiring them to hold a Gas Shipping licence removes a potential barrier to market entry.

Furthermore this Modification will provide efficiency in the implementation and administration of the UNC by not requiring parties to hold a Shipper licence to access the non-gas-conveyance parts of the UNC.

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5 Impacts and Costs



Impacts and costs to be determined during Development phase.

Costs

Indicative industry costs

To be provided during development phase

Impacts

Impact on Transporters' Systems and Process

Transporters' System/Process	Potential impact
UK Link	To be confirmed
Operational Processes	To be confirmed
User Pays implications	To be provided if necessary.

Impact on Users

Area of Users' business	Potential impact
Administrative and operational	To be confirmed
Development, capital and operating costs	To be confirmed
Contractual risks	To be confirmed
Legislative, regulatory and contractual obligations and relationships	To be confirmed

Impact on Transporters

Area of Transporters' business	Potential impact
System operation	To be confirmed
Development, capital and operating costs	To be confirmed
Recovery of costs	To be confirmed
Price regulation	To be confirmed
Contractual risks	To be confirmed
Legislative, regulatory and contractual obligations and relationships	To be confirmed
Standards of service	To be confirmed

Impact on Code Administration

Area of Code Administration	Potential impact
Modification Rules	To be confirmed
UNC Committees	To be confirmed
General administration	To be confirmed

Impact on Code

Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565**

Transco Proposal for Revision of Network Code Standards of Service

at the following location:

<http://www.gasgovernance.com/networkcodearchive/551-575/>

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Impact on Code	
Code Section	Potential impact
All	Detail to be confirmed during development

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	To be confirmed
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	To be confirmed
Storage Connection Agreement (TPD R1.3.1)	To be confirmed
UK Link Manual (TPD U1.4)	To be confirmed
Network Code Operations Reporting Manual (TPD V12)	To be confirmed
Network Code Validation Rules (TPD V12)	To be confirmed
ECQ Methodology (TPD V12)	To be confirmed
Measurement Error Notification Guidelines (TPD V12)	To be confirmed
Energy Balancing Credit Rules (TPD X2.1)	To be confirmed
Uniform Network Code Standards of Service (Various)	To be confirmed

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	To be confirmed
Gas Transporter Licence	To be confirmed
Transportation Pricing Methodology Statement	To be confirmed

Other Impacts	
Item impacted	Potential impact
Security of Supply	To be confirmed
Operation of the Total System	To be confirmed
Industry fragmentation	To be confirmed
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	To be confirmed

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Proposed Implementation Timetable	
Activity	Date
Development Workstream	November 2010 through April 2011
Modification proposed to Panel for Consultation	April 2011
Consultation	April 2011 – May 2011
Panel consideration	May 2011
Ofgem Decision	June 2011
Implementation	1 st July 2011

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7 The Case for Change

In addition to that identified the above, the Proposer has identified the following:

Advantages

- Potentially removes a barrier to entry.
- Reduces costs to accede to the UNC.

Disadvantages

None identified.



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8 Recommendation



The UNC Modifications Panel has directed that this Development Modification is to be discussed at the Transmission work-stream in order to inform the development of the UNC Modification Proposal that meets with the requirements of all code parties and meshes appropriately with Ofgem’s new regulations.

The Proposer invites the Panel to:

- Receive the Workgroup report on or before April 2011.
- DETERMINE that Modification Proposal 0338 subsequently progress to Consultation.

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