

CODE MODIFICATION PROPOSAL No. 0008(0731)
"Specific Amendments to the Modification Rules"
Version 2.0

Date: 12/11/2004

Proposed Implementation Date: 01/01/2005

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

Modification Proposal 0716 proposed a Review of the Network Code Modification Rules (Rules) and the Modification Panel meeting held on 16 September established the Governance Workstream to carry out this task. Coincident with this review, a number of specific changes to the Rules were proposed in Modification Proposals 709, 712 - 715 inclusive, which proceeded to consultation.

The Governance workstream has considered the issues raised by Modification 716, specifically :-

1. Modification Panel

Giving the Panel, rather than Transco alone, more decision making in the operation of the governance regime. Proposals include - the introduction of a User Vice Chairman; clearer arrangements for overseeing and directing the work carried out by Workstreams; changing voting so that all determinations are by Panel Majority with the provision of clear default positions where a determination is not made.

2. Modification Proposals & Reports

Giving greater equality to Users and sharing more information earlier in the process. Proposals include - defined points at which the Proposer may change a Modification Proposal and removal of the confusing Alternative Proposals provision; the need for additional information about systems impacts and implementation timescales during consultation.

3. Development

Making the process more transparent and participative. Proposals include - giving wider ability for appeals to be made to the Panel; tighter terms of reference and clearer defaults; making it easier for a Proposal to be sent to consultation.

The workstream has now reached agreement on the manner in which these aims can be accommodated within the Rules.

Nature and Purpose of Proposal (including consequence of non implementation)

It is considered that implementation of the amendments to the Modification Rules as contained within this Modification Proposal would better facilitate relevant objective (b) by permitting Transco to better discharge its licence condition 4D "Conduct of Transportation Business" by making the Rules more neutral and removing present examples of discrimination which favour Transco and Transco proposals above those of Users.

It should be noted that this Proposal is not intended to inhibit or anticipate governance developments under the Unified Network Code (UNC). Rather it has been made in the knowledge that further changes

may be necessary but that they would in all probability be building upon changes brought about by this Proposal.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

The opportunity to make the Network Code governance regime more equitable and robust would be lost or delayed and Transco would continue to enjoy a preferential position within that regime.

It is now widely acknowledged (including by Transco) that the present regime is in need of revision to make it more balanced and neutral. Following the review by the Governance workstream of this Proposal, it is now considered that these changes to the Rules which mirror and incorporate those proposed here, should be implemented before the introduction of UNC.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

Code Concerned, sections and paragraphs

Section Y

Proposer's Representative

Mike Young (British Gas Trading Ltd)

Proposer

Mike Young (British Gas Trading Ltd)

Signature

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