

Joint Office Of Gas Transporters

31 Homer Road
Solihull
West Midlands
B91 3LT

James Thomson
Policy Manager
Industry Codes
OFGEM
107 West Regent Street
Glasgow G2 2BA

Telephone: 0121 288 2107
E mail: enquiries@gasgovernance.co.uk

**24 Hour gas escape
number 0800 111 999***
* Calls will be recorded
and may be monitored

21 September 2015

Dear James,

**Uniform Network Code Modification Proposal 0557 – Notice Period for
Changes to Transportation Charges resulting from Uncertain costs
allowed expenditure - financial adjustments**

As Secretary of the Modification Panel I am writing to you in accordance with Section 12.8.1(a) of the Uniform Network Code Modification Rules. The Modification Rules provide for the Code Administrator to seek a View from the Authority *“on any matter arising (under these Rules or otherwise) from a Modification Proposal that is not a Self-Governance Modification Proposal at any stage prior to the date on which the Code Administrator finalises the Modification Report; ...”*

At the September UNC Modification Panel meeting the Northern Gas Networks Panel Member stated that they believed this UNC Modification Proposal 0557 to be in direct conflict with any direction made by the Authority under Special Condition 3F, and that the issue that the Proposer has raised is a matter that can only be resolved by Ofgem and the arrangements set out in Special Condition 3F. These concerns were noted by the UNC Modification Panel and following discussion Panel Members agreed to seek a formal View from the Authority in respect of UNC Modification Proposal 0557, as to whether or not this matter is within the remit of the UNC or should be considered as a Licence matter.

The following points are therefore noted for the Authority's consideration:

- Transporter Licence Special Condition 3F provides detail of the recovery of Uncertain Costs that have been categorised within this section. There are two windows of application for some of these, and others that Transporters may apply for at any time.
- The timetable for application of these additional costs is clear within the Licence condition, with an application window in May and an Ofgem determination in October. This should allow Transporters to show the result of the Ofgem determination in both the Indicative Prices on 01 November and Final Prices published on 31 January.
- Approval of Uncertain Costs included within Special Condition 3F would result in amendment to PCFM and an Authority direction to amend MODt.

Joint Office Of Gas Transporters

- Special Condition 3F.2 sets out that the mechanisms ensure that as a consequence of the Annual Iteration Process the value of the term MODt for Formula Year t is amended.
- UNC Modification Proposal 0557 seeks to override any amendment to MODt for a further year where it is as a result in direction under Special Condition 3F.

The UNC Modification Panel is therefore seeking an early View from Ofgem as to whether this UNC Modification Proposal is capable of implementation given the arrangements laid out in Transporter Licence Special Condition 3F.

The UNC Modification Panel has agreed to defer consideration of this Modification Proposal 0557 until its next meeting on 15 October 2015. Could I therefore ask that, on behalf of the Authority, you provide us with a formal View in advance of this meeting.

Yours sincerely,

Lorna Dupont
UNC Modification Panel Secretary

cc UNC Modification Panel

C Baldwin

A Plant