

Stage 02: Workgroup Report

0373:

Governance of NTS Connection Processes

What stage is this document in the process?



Incorporates NTS connection processes/steps into the UNC



The Workgroup recommends that this modification should now proceed to consultation



High Impact:

NTS entry and exit developers and shippers, National Grid NTS



Medium Impact:



Low Impact:

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06 October 2011

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About this document:

The purpose of this report is make a recommendation to the Panel, to be held on 20 October 2011, on whether Modification 0373 is sufficiently developed to proceed to the Consultation Phase and to submit any further recommendations in respect of the definition and assessment of this modification.



3 **Any questions?**

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1 Summary

Is this a Self-Governance Modification?

It is not proposed that this Proposal is treated as a Self-Governance Modification as it is likely to impact on competition between the commercial activities of shippers.

Why Change?

Currently the arrangements and processes surrounding the physical connection, or enhancement of an existing connection of an offtake or an input to National Grid's NTS pipeline system is ad hoc in nature and not subject to established timescales, milestones or costs. The commercial arrangements concerning the booking of NTS entry/exit capacity are subject to provisions contained within the UNC. The processes which occur outside of the UNC, which may be termed "physical connection enabling works", incorporate a number of steps, listed below:

- Initial discussions between parties;
- Feasibility study;
- Design & Build – Conceptual Study; and
- Design & Build – Detailed design and construction phase.

(Note: There may be additional steps that have not been identified.)

In addition to these steps, other activities must be completed, although they are not directly related to the construction of the connection (and any additional works which may be carried out in order to accommodate the connection). These activities include, but may not be limited to:

- Establishment of an exit/entry point plus revenue drivers; and
- Finalisation of a connection agreement.

The current lack of formal governance surrounding these activities and processes creates uncertainty in timescales and costs for connecting parties which are detrimental to investment/engineering plans, third party costs and the economic viability of projects.

Solution

In order to provide for greater certainty, it is proposed that the UNC is modified to accommodate a new, formal NTS Connection process, involving the creation of an "Offer" by NG NTS to connect to the NTS or to modify an existing NTS connection. Such an "Offer" would effectively replace the existing National Grid NTS Design & Build Agreement (which includes the provision of a Conceptual Design Study and a Construction Agreement) and Feasibility study process.

This Modification Proposal creates a framework within which NG NTS shall operate its NTS Connection Offer process and establishes the key rights and responsibilities of both NG NTS and parties wishing to connect to the NTS or modify an existing NTS connection. In summary, this Modification Proposal describes the application process for a Connection Offer, what a Connection Offer would contain, the applicable

timescales for the provision of the Connection Offer and describes the rules for acceptance and amendment of a Connection Offer.

Impacts & Costs

Costs are expected to be minimal and not paid for by Users.

There are numerous positive impacts relating to reduction in costs/risk for connecting parties in the following areas:

- Administration of overall development downstream/upstream of the connection;
- Development and capital costs associated with the connecting facility/pipeline; and
- Third party contractual risks faced by the connecting party.

The incorporation of the processes in to the UNC will mean that they become subject to the governance and regulatory arrangements underpinning the UNC.

Implementation

An implementation date of 01 April 2012 is proposed.

The Case for Change

At the highest level the proposal creates certainty around timescales and costs associated with achieving a physical NTS connection, or enhancement of an already existing NTS connection. The proposal will better facilitate Relevant Objectives b, c and d as it will lead to greater transparency, non-discrimination and competition. In addition, where the connection pertains to a connected system, owned by National Grid NTS, it will improve co-ordination between systems.

Recommendations

The Workgroup considers that the modification is sufficiently developed and should now proceed to the Consultation Phase.

2 Why Change?

Currently, there are effectively two processes which, theoretically should run in parallel, in relation to the achievement of a physical connection, or the enhancement of an already existing connection to the NTS, be it a direct offtake/input or CSEP. The UNC process relates to the securing of capacity rights on the NTS while the, what may be termed the “physical connection enabling works” process concerning the engineering design and construction arrangements, is independent of the UNC and the subject of a number of bilateral agreements between National Grid NTS and the relevant counterparty.

The physical connection enabling process is managed by National Grid NTS and, as such, is not subject to prescribed timescales, standard costing, or service levels. As a result, the requesting party – shipper or developer – is uncertain of the costs it might incur in certain instances and the timing of the delivery of certain outputs which contribute to the overall process.

In very high-level terms, a typical physical connection enabling works process will likely consist of the following steps, although this may vary depending on the complexity of the connection:

- Initial discussions between parties, including the provision of high-level information regarding the connection by the requesting party; and
- A feasibility study may be carried out at the request of the requesting party or National Grid NTS. The main purpose of the study is to establish options for connection and/or identify what level of works National Grid NTS will most likely need to carry out, beyond the minimum connection, to accommodate the connection. The price of the feasibility study varies and is determined by National Grid NTS, subject to the relevant Connection Charging Statement and there is no prescribed timescale by which this study should be completed; and
- Following the execution of a Design and Build Agreement, National Grid NTS will carry out a Conceptual Design Study. The main purpose of the study is to scope out the overall works to be carried out, including an estimate of the costs to be incurred by the requesting party. The price of the Conceptual Design Study varies and is determined by National Grid NTS, subject to the relevant Connection Charging Statement and there is no prescribed timescale by which this study should be completed; and
- Following the completion of the Conceptual Design Study, the requesting party may terminate the agreement and not proceed to the next stage of the process. In the event that a termination is not forthcoming, National Grid NTS will invoice the requesting party for a portion of the estimated costs laid out in the Conceptual Design Study and commence the detailed design and construction phase.

Further to the processes detailed above two other processes are critical to the completion of an operational connection:

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- In the event that the connection is a new connection requiring a new entry/exit point to be recorded in the NTS Gas Transporter Licence then a separate process must be initiated by National Grid NTS to establish the entry/exit point and agree the necessary revenue drivers with Ofgem to permit the UNC capacity booking process to commence; and
- a Network Entry Agreement, Network Exit Agreement, or in the case of a storage connection, a Storage Connection Agreement must be executed. At the highest level, these agreements lay out operational obligations and verification of asset ownership.

It is clear, that beyond the fairly mechanical processes set out in the UNC in relation to securing capacity rights, the processes which are external to the UNC lack structure and governance. Given the control exerted by National Grid NTS in relation to the carrying out of these tasks, requesting parties may become frustrated by the lack of certainty in costs, timescales and the relevance and value of some of the existing reports/ processes. In the event that the processes carried out by National Grid NTS are not achieved in timescales not unreasonably required by the requesting party, there may be unexpected delays beyond the desired date of connection. Late connections can undermine the economics of a planned project for the following reasons:

- The connection process will likely be one part of a significant engineering programme and any delays in the connection will likely have implications on other aspects of the engineering programme resulting in additional costs being incurred by the developer;
- the date of connection may have strategic value and any delay may undermine the value ascribed to the connecting facility(ies);
- other costs may be incurred by the relevant parties, such as; a need to enter into alternative commercial arrangements to account for the unavailability of the connecting facility; deferment of the purchase of commissioning gas/cushion gas; extension of operation and maintenance contracts, etc.

3 Solution

In order to provide for greater certainty in terms of delivery of those outputs detailed in Section 2 it is proposed that the UNC is modified to accommodate a new, formal NTS Connection "Offer" process.

NTS CONNECTION OFFER PROCESS

1. Application Process:

- 1.1** If a party wishes to connect to the NTS or wishes to modify an existing NTS connection, it shall complete and submit the relevant formal Application form, published on NG NTS' website. For clarity, completed Application forms shall not be published on NG NTS website.
- 1.2** Any information submitted by the Applicant shall be treated as commercially confidential and shall not be shared with any third party unless consented to by the Applicant.
- 1.3** For the purposes of the NTS Connection Offer process, an Applicant can be a User as defined under the terms of the UNC or any other third party that requests a connection to the NTS.
- 1.4** Submission by the Applicant and subsequent acceptance of the Application form by NG NTS shall constitute formal admission into the NTS Connection Offer process.
- 1.5** Written notification of receipt must be issued by NG NTS as soon as reasonably practicable and in any case no longer than 2 business days from the date of submission.
- 1.6** Written notification of acceptance must be issued by NG NTS as soon as reasonably practicable and in any case no longer than 5 business days from the date when the application becomes a 'Competent Application'.
- 1.7** A 'Competent Application' is, for the purposes of the NTS Connection Offer process, an application where the application form has been correctly completed, the requested technical data has been provided and the relevant Application Fee has been paid and is cleared funds in the relevant NG NTS bank account.
- 1.8** If the application is not accepted by NG NTS, a written notification of non-acceptance and reasons for non-acceptance shall be provided to the Applicant as soon as reasonably practicable and in any case no longer than 5 business days from the date of receipt.
- 1.9** Where NG NTS considers that any information provided by the Applicant is incomplete or unclear, or further information is required, the Applicant will be requested to provide further information or clarification as soon as reasonably practicable and in any case no longer than 5 business days from the date of receipt.

1.10 The Applicant may withdraw by written notification a Connection Offer Application at any time before the Connection Offer is made. For fixed fee applications, no refund of the Application fee shall be made. For variable price applications, The Application Fee shall be refunded to the Applicant, in such amount that includes a deduction for actual costs reasonably incurred by NG NTS in preparing the Connection Offer.

2. Connection Offer Application Fees

2.1 NG NTS shall offer to Applicants the option to choose either a 'Fixed' Connection Offer Application Fee or a Variable Connection Offer Application Fess to cover all Application types.

2.2 It shall be at the Applicant's sole discretion whether a 'Fixed' or 'Variable' Application Fee is chosen for the applicable Connection Offer type for which they are applying.

2.3 Fixed Connection Offer Application Fees shall be full and final and shall not subject to any adjustment by NG NTS once paid by the Applicant. NG NTS shall establish, publish and review on an annual basis the types of NTS Connections and the Fixed Application Fees payable by the Applicant for each Offer type, for both Initial Connection Offers and Connection Offers.

2.4 The Fixed Connection Offer Application Fee(s) shall be published no later than 1st April 2012 and reviewed by NG NTS on an annual basis, thereafter, to ensure they remain reflective of the costs incurred in making an Offer.

2.5 Variable Application Fees shall be the applicable Fixed Application Fee payable for the type of Connection Offer applied for at the point of submitting the Application, plus a full and final reconciliation to adjust the Fee paid, for actual costs incurred by NG NTS, once the Offer has been made. This may involve NG NTS invoicing the Applicant for additional fees or refunding part of the Fixed Application Fee after the Offer has been made, depending on actual costs incurred by NG NTS relative to the Fixed Application Fee already paid.

2.6 The Application fee shall reflect the costs reasonably incurred by NG NTS in producing the Connection Offer.

3. Content of Connection Offer

3.1 Where the Connection Offer is expected to take longer than 3 months to prepare, NG NTS shall make an Initial Connection Offer after 3 months, unless waived by the Applicant at the point of Application.

3.2 An Initial Connection Offer is an early estimate of the physical construction costs; programme and layout of the Connection based only on a desktop exercise and will provide the Applicant with the information as described at 3.4 and a draft Construction Agreement.

3.3 A Connection Offer is a detailed estimate of the physical construction costs, programme and layout of the Connection based on design / engineering studies

and will provide the Applicant with the information as described at 3.5 and a draft, revised Construction Agreement (if revisions are required).

3.4 An NTS Initial Connection Offer shall comprise as a minimum:

- (a) **Price** – an estimate of the construction stage costs attributable to the Applicant if the Connection Offer is accepted.
- (b) **Connection Programme**, including an indicative Connection Completion Date, milestones necessary to get to that point, details of financial liabilities and whether NTS Reinforcement would be required.
- (c) **Layout** - Location of connection and a connection layout drawing.
- (d) A draft **Construction Agreement**.
- (e) An overview of the design / engineering work to be carried out by National Grid NTS to make the Connection Offer, if the Initial Connection Offer is accepted.

3.4.1 If the Applicant wishes to continue in the Connection Offer Application process after the Initial Connection Offer has been made (i.e. NG NTS proceeds to make a Connection Offer):

- (i) The Applicant may sign the Construction Agreement provided in the Initial Connection Offer and pay the relevant fee for the Connection Offer; or
- (ii) The Applicant can delay signing the Construction Agreement until the Connection Offer is made, but must still pay the relevant fee for the Connection Offer Application.

3.5 A NTS Connection Offer shall comprise, as a minimum:

- (a) **Price** - The Offer shall contain an estimate of the construction works costs attributable to the Applicant in respect of the Connection Offer, if the Offer is accepted. It shall also include details of when any financial liabilities in respect of construction costs would begin and how they would increase (i.e. the Applicant's payment profile based on NG NTS's actual expenditure), including provision for reconciliation of actual costs post-construction, where reasonably incurred by NG NTS.
- (b) A **Connection Programme**, including as a minimum:
 - (i) *Connection Completion Date* – the date that the physical connection will be made, following successful testing and commissioning. NG NTS shall provide details of how this date is contingent on any relevant planning consents being granted.
 - (ii) *Project Plan, including as a minimum:*
 - Indicative milestone date when NG NTS would expect to apply for a new revenue driver (if applicable).

- Indicative earliest milestone date at which Exit and/or Entry Capacity could be bid /applied for by the Applicant in order for the Applicant to tie-in their capacity needs with the Connection Completion Date.
- Indicative milestone date by when Network Exit Agreement (NExA) / Network Entry Agreement (NEA) / Storage Connection Agreement (SCA) has to be signed (where applicable).

For clarity, the project plan is intended to be used as guidance only to assist Applicants with general project planning and in no way does it oblige NG NTS to make entry or exit capacity available at the connection point.

- (iii) *Programme of Works required for the Connection to be made*
 - Timeline and key milestone dates
 - All payment milestones
 - Credit requirements
 - Dates for purchase of long-lead items
 - Detail of any additional detailed design studies required if the Connection Offer is accepted (if any), including the indicative cost of such studies.
- (iv) *NG NTS Planning Milestones*
 - Details of NG NTS planning consents already submitted or required to be submitted before the physical connection can be made.
- (v) *Technical Parameters / Specification*
 - Indicative Ramp Rates (where applicable to the Connection Offer)
- (vi) *Indicative size and route corridor of connecting pipeline* (if NG NTS is to build the connecting pipeline).
- (vii) *Site-specific draft ARCA, NEA, NExA or SCA* (if applicable).
- (c) **Layout** – Location of connection, including Ordnance Survey map with grid references and a site-specific layout drawing.
- (d) **Any relevant design / engineering study reports**, if required by NG NTS and paid for by the Applicant as part of the Application Fee.
- (e) A draft **Construction Agreement**. (with revisions to reflect any changes from the Initial Connection Offer where made).

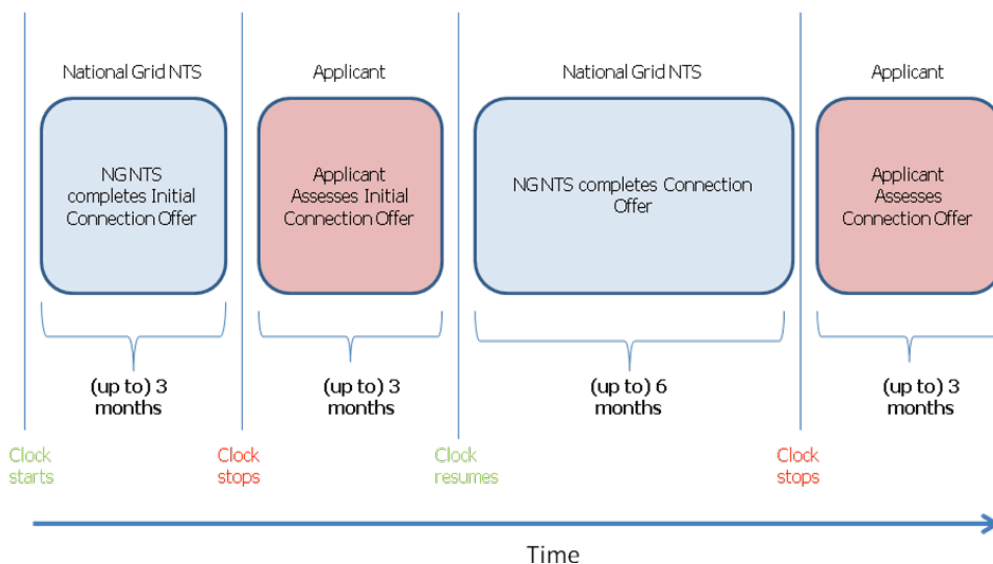
3.6 The Connection Offer shall include all site-specific information or terms which vary from the NG NTS Standard Conditions of Contract for NTS Connections.

3.7 The terms and conditions for the termination of a Connections Offer once accepted and the associated liabilities should be included within the Offer. For clarity, the Applicant shall be liable for actual costs reasonably incurred by NG NTS up to the date of notification of termination.

4. Timescales & Acceptance

- 4.1** For the purposes of defining the period of time during which the Connection Offer must be made by NG NTS to the Applicant, the 'clock' starts once NG NTS issues a notification of acceptance into the NTS Connections Offer process and ends when the Connection Offer is deemed to have been received by the Applicant.
- 4.2** NG NTS will make the Connection Offer as soon as is reasonably practicable and in any case no longer than 3 months after the notification of acceptance has been issued, unless the Connection Offer Application is not for a new Greenfield Minimum Connection.
- 4.3** Where the Connection Offer Application is not for a new Greenfield Minimum Connection, NG NTS will (unless the Applicant waives this obligation on NG NTS at the point of Application) make an Initial Connection Offer as soon as is reasonably practicable and in any case no longer than 3 months after the date of notification of acceptance.
- 4.4** Where the Initial Connection Offer Application has been accepted, NG NTS will proceed to make the Connection Offer as soon as is reasonably practicable and in any case no longer than 6 months after the date of acceptance of the Initial Connection Offer.
- 4.5** The Initial Connection Offer (where made) and the Connection Offer must be accepted by the Applicant within 3 months from the date that the Connection Offer is made. Failure by the Applicant to accept within 3 months will cause the Connection Offer to lapse and be treated as null and void.

The Connection Offer process is illustrated below:



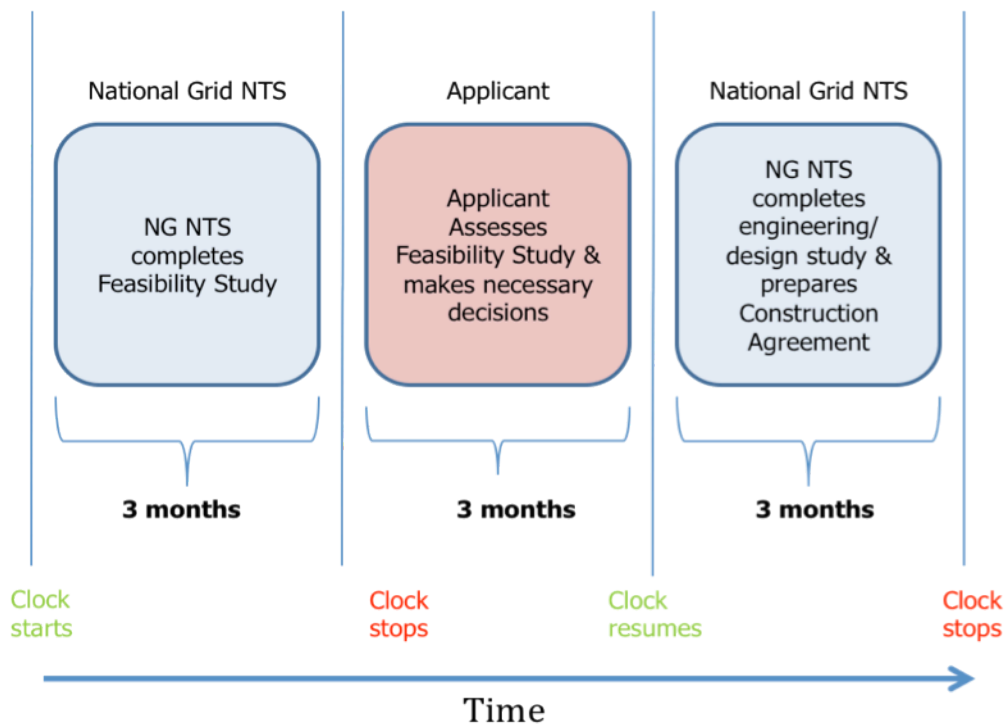
- 4.6** Initial Connection Offers expected to take NG NTS longer than 3 months to make can only be consented to by the Authority. NG NTS must make a written request to the Authority requesting an extension, including the reasons for such a request and including the Applicant's views on the proposed extension. Where consented to, NG NTS must then make the Offer within the timescale consented to by the Authority.

4.7 Connection Offers expected to take NG NTS longer than 6 months to make can only be consented to by the Authority. NG NTS must make a written request to the Authority requesting an extension, including the reasons for such a request and including the Applicant's views on the proposed extension. Where consented to, NG NTS must then make the Connection Offer within the timescale consented to by the Authority.

5. NG NTS-required feasibility studies

5.1 Where a feasibility study is required by NG NTS in order to be able to provide a Connection Offer, the feasibility study report shall be provided to the Applicant as soon as reasonably practicable and in any case no later than 3 months after the Initial Connection Offer has been accepted. No later than 3 months after receipt of the feasibility study report, the Applicant shall indicate whether it wishes NG NTS to undertake the work necessary to proceed to make a Connection Offer within the relevant time scale (depending on the connection offer type) or where relevant, the timescale consented to by the Authority.

By way of example, the diagram below illustrates how the Connection Offer process and associated prescribed timescales would be affected where a feasibility study is required by NG NTS which then requires a decision(s) by the Applicant following completion of the report. In this example, the connection type is not a Greenfield Minimum Connection, so the maximum permitted timescale for provision of a Connection Offer is 6 months. For the purpose of calculating the 6 month period, the 3 month assessment and decision period for the Applicant is not included (i.e. the 'clock' stops during this period); so in practice, NG NTS has 6 months + 3 months to make the Connection Offer.



5 Modification of a Connection Offer

- 5.1** Where, after the Construction Agreement has been signed, the Applicant wishes to make an amendment to the whole or part of any Connection Offer, a Modification to the Connection Offer Application must be submitted to NG NTS.
- 5.2** NG NTS shall prepare and publish an Application form for the Modification of Connection Offer.
- 5.3** A Modification of Connection Offer shall require NG NTS to provide a revised Construction Agreement.
- 5.4** The cost to the Applicant of a Modification to Offer shall be either:
- (a) 75% of the Connection Offer Application Fee paid which was paid by the Applicant for the relevant Connection Offer; or
 - (b) Any fee less than 75% of the Connection Offer Application Fee (as defined above), where mutually agreed by the Applicant and NG NTS.
- 5.5** The maximum permitted timescales applicable to NG NTS for providing a Connection Offer shall also apply to a Modification of Offer (i.e. as soon as reasonably practicable and in any case no later than 6 months or any other time as consented to by the Authority, depending on the connection type).
- 5.6** Consistent with the Connection Offer Application process, Applicants for a Modification of Connection Offer shall have up to 3 months to consider and accept the Modification of Connection Offer.
- 5.7** For clarity, it shall be at the Applicant's sole discretion whether or not a Modification of Connection Offer is accepted.

6. Information Publication Requirements

- 6.1** For the purposes of the NTS Connection Offer process, NG NTS shall publish the following information on its public website:
- (a) The Standard Conditions of Contract for the Construction Agreement (SCC) for each connection type.
 - (b) A generic ARCA, NExA, NEA & SCA.
 - (c) Generic technical specifications associated with the NTS Connection Offer processes which are not site-specific.
 - (d) A generic Connection Offer template.
- 6.2** NG NTS shall publish on a quarterly basis:
- (a) The number of Competent Applications for Connection Offers received in that quarter & cumulative total for the calendar year.
 - (b) The cumulative total for the calendar year of Connection Offers made in:
 - (i) 3 months
 - (ii) 6 months

- (iii) Any other timescale as consented to by the Authority.
- (c) The cumulative total for the calendar year of Initial Connection Offers made in:
 - (iv) 3 months
 - (v) Any other timescale as consented to by the Authority.

7 User Requested Pre-Connection Application Studies

- 7.1** Where a potential Applicant wishes to explore options for connecting to the NTS, a 'pre-application study' may be requested. Due to the speculative and varied nature of such requests, it is not proposed to specify precise timescales or costs upfront. However, NG NTS shall be subject to a reasonable endeavours obligation to complete the study in a reasonable timescale, at a price which reflects the costs incurred and on mutually acceptable terms.
- 7.2** For the avoidance of doubt, a User Requested Pre-Connection Application Study shall not constitute a contingent part of the Connections Offer process. The purpose of this type of study is for potential Applicants to explore and potentially narrow down options for connecting to the NTS, in order to be in a position to submit a formal Application.
- 7.3** Notwithstanding 6.2, if a User Requested Pre-Connection Application Study produces data which can be re-used for the purposes of the formal Connection Offer process then the Application Fee and timescales for the formal connection Offer may, at NG NTS' discretion, be reduced accordingly.

END.

4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objectives b, c and d.**

Workgroup's view of the benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	No
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.	Yes
c) Efficient discharge of the licensee's obligations.	Yes
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.	Yes
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.	No
f) Promotion of efficiency in the implementation and administration of the Code	No

In the event that the connection is one which relates to a CSEP, then codification of the arrangements which require National Grid NTS to work to designated timescales will necessarily lead to greater certainty in relation to the full build programme for the developer of the connecting pipeline. In turn, this should lead to efficiencies in achieving the necessary consents as well as the ordering and construction of the connecting pipeline. The effect is better facilitation of Relevant Objective (b) assuming that in some cases the connecting pipeline system falls under the ownership of a gas transporter.

Transparency and consistency in the treatment of connecting offtakes will help ensure that each connecting party is dealt with in a non-discriminatory manner. Currently, the connection process is managed by National Grid NTS in accordance with timescales it determines, which may mean that it would prefer to apply more aggressive timescales to certain connections over others. The codification of the arrangements will remove any ambiguity and require that all connections be treated in the same manner. In terms of better facilitating Relevant Objective (c) this will ensure that no shipper gains any unfair advantage.

For those reasons stated above regarding discrimination it is clear that competition between shippers will be enhanced, providing for better facilitation of Relevant Objective (d). Furthermore it is hoped, more generally, that if National Grid NTS is subject to contracted timescales then this enhanced certainty will result in projects (eg new gas storage) being brought to market in a more timely fashion. In turn, this will enhance competition in a number of cases, for example where the connection is an entry or storage connection it will likely reinforce the relevant shipper's portfolio position. Finally, greater certainty in relation to timescales and costs will better inform individual shipper decision making processes, in terms of project feasibility, which by its very nature will limit development costs and create efficiencies. Efficiency in decision making and in the deployment of capital is essential in the creation, or fulfilment of a competitive market.

5 Impacts and Costs

Consideration of Wider Industry Impacts

None identified.

Costs

Indicative industry costs – User Pays
Classification of the proposal as User Pays or not and justification for classification
It is anticipated that this is not a User Pays Proposal as the costs of implementation will relate, generally, to the internal processes and practices employed by National Grid NTS to ensure compliance with the UNC obligations.
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
Not applicable.
Proposed charge(s) for application of Users Pays charges to Shippers
Not applicable.
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
Not applicable.

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> None
Operational Processes	<ul style="list-style-type: none"> Establishment of new processes to ensure compliance with UNC obligations in relation to milestones and timescales.
User Pays implications	<ul style="list-style-type: none"> None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> Reduce costs associated with managing internal administration of the processes due to greater clarity in terms of the connection process.
Development, capital and operating costs	<ul style="list-style-type: none"> Reduce development and capital costs associated with the connecting facility and/or pipeline since processes can be better aligned with those applied by National Grid NTS.
Contractual risks	<ul style="list-style-type: none"> Reduces contractual risks with third parties involved in the downstream development of the facility and/or pipeline since the potential removal of delays in National Grid NTS' lead process will ensure contractual obligations with third parties can be better structured and managed; e.g. limit risk of contract cancellation and associated penalties.
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> Proper contractualisation of processes which sit outside of any formal contractual structures. Allows for regulatory oversight of these matters given the proposed inclusion in the UNC.



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/>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> None
Development, capital and operating costs	<ul style="list-style-type: none"> None
Recovery of costs	<ul style="list-style-type: none"> None
Price regulation	<ul style="list-style-type: none"> Potential impact if standard costs agreed
Contractual risks	<ul style="list-style-type: none"> Contractualisation of non-contracted processes

Impact on Transporters	
Legislative, regulatory and contractual obligations and relationships	• None
Standards of service	• None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• None
UNC Committees	• None
General administration	• None

Impact on Code	
Code section	Potential impact
To be determined through development	To be determined through development

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None
Gas Transporter Licence	None

Other Impacts	
Item impacted	Potential impact
Security of Supply	It will enhance security of supply, as there will be more certainty for developers/shippers in relation to a connection, which should provide confidence and efficiency in third party investments (eg in new gas storage).
Operation of the Total System	None
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	A positive impact for those parties downstream/upstream of a connection and overall for consumers as connections are made in a timely and coordinated manner.

6 Implementation

An implementation date of 01 April 2012 is proposed.

7 The Case for Change

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

Advantages

- Consistency in treatment of new or enhanced connection applications.
- Certainty for project developers in terms of timescales and costs associated with the physical connection.
- Consistency with the commercial activities currently detailed in the UNC, ie the physical connection process becomes more closely linked with the capacity booking process.

Disadvantages

- None identified.

8 Legal Text

Draft legal text has been published as a separate document.

Recommendation

The Workgroup invites the Panel to:

- AGREE that Modification 0373 be submitted for consultation; and
- AGREE that the Code Administrators should issue 0373 Draft Modification Report for consultation with a close-out of XX XXXX 2011 and submit results to the Panel to consider at its meeting on [Panel meeting date].