









UNC Draft Modification Report	At what stage is this document in the process?
<h1 data-bbox="134 322 727 416">UNC 0829S:</h1> <h2 data-bbox="129 450 1090 591">Updates to the Supplemental Agreement Amendments Process</h2>	<div data-bbox="1209 315 1477 640"> <div data-bbox="1209 315 1477 394">01 Modification</div> <div data-bbox="1209 394 1477 472">02 Workgroup Report</div> <div data-bbox="1209 472 1477 551">03 Draft Modification Report</div> <div data-bbox="1209 551 1477 640">04 Final Modification Report</div> </div>
<p>Purpose of Modification: To change the processes for updating Supplemental Agreements.</p>	
<p>Next Steps: This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this Self-Governance Modification. The close-out date for responses is 06 June 2023, which should be sent to enquiries@gasgovernance.co.uk. A response template is available at https://www.gasgovernance.co.uk/0829. The Panel will consider the responses and agree whether or not this Self-Governance Modification should be made.</p>	
<p>Impacted Parties: High: None Low: Gas Distribution Networks and National Grid Gas None:</p>	
<p>Impacted Codes: None.</p>	

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Timetable		
Modification timetable:		
Pre-Modification Discussed	27 July 2022 and 24 August 2022	 Any questions? Contact: Joint Office of Gas Transporters
Date Modification Raised	04 November 2022	 enquiries@gasgovernance.co.uk
New Modification to be considered by Panel	17 November 2022	 0121 288 2107
First Workgroup Meeting	08 December 2022	Proposer: Darren Dunkley Cadent
Workgroup Report to be presented to Panel	18 May 2023	 Darren.dunkley@cadentgas.com
Draft Modification Report issued for consultation	18 May 2023	 07768 102196
Consultation Close-out for representations	06 June 2023	Transporter: Shiv Singh
Final Modification Report available for Panel	09 June 2023	 shiv.singh1@cadentgas.com
Modification Panel decision (<i>at short notice</i>)	15 June 2023	 07580 999287
		Systems Provider: Xoserve
		 UKLink@xoserve.com

1 Summary

What

Through the Request Workgroup 0646R - Review of the Offtake Arrangements Document, it was agreed that the existing arrangements need to be updated. A summary of the key issues:

- The Offtake Arrangements Document (OAD) states the upstream party is responsible for processing any Supplemental Agreement (SA) amendments;
- The process does not cater for tri-party sites;
- The process is very transactional and does not allow sufficient time for operators to review amendments made by another operator;
- The process does not cater for certain commercial circumstances where the SA requires agreement prior to the assets becoming operational;
- Arrangements are hard-wired into OAD making process revisions burdensome.

Why

As the current arrangements were made in 2005, parts are now considered to be out-of-date and require amending in order to bring in line with current practice. Changes will include:

- Allowing either party to initiate the process;
- Addressing the gap that does not cater for tri-party sites;
- Introducing a draft and execution phase to allow for suitable governance;
- Allowing for scenarios where the new SA needs to be approved prior to assets becoming operationally live; and
- Transferring the arrangements into a subsidiary document to allow for more timely revisions to the process to be approved by the Offtake Committee, rather than via the Modification process.

How

The key amendments are anticipated as:

- Overhaul of OAD Section N3.3.1 with replacement text to 'hook in' new Subsidiary Document;
- A new requirement is needed to terminate previous versions that have been superseded by a newly executed version (OAD Section A, B or N).

2 Governance

Justification for Self-Governance

Panel determined this Modification is suitable for Self-Governance as it is unlikely to have a material effect on *“competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes”* due to updates being limited to the Supplemental Agreements amendments process.

Modification 0829S will therefore follow Self-Governance procedures.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance.
- proceed to Consultation.

3 Why Change?

Under existing arrangements, it is the responsibility of the upstream party to process any SA amendments. All parties will discuss the merits of allowing either party to initiate the execution phase providing agreement has been reached during the draft phase.

The process does not cater for tri-party sites, so this is a gap within the OAD that needs addressing.

As the process is very transactional and does not allow sufficient time for operators to review amendments made by another operator, we propose an allowance for a draft and execution phase, which should result in a suitable governance period.

As written, the OAD does not cater for certain commercial circumstances where the SA requires agreement prior to the assets becoming operational. All parties agree that where required, revisions will include specific scenarios where the SA needs to be agreed prior to the respective assets becoming operationally live or amended.

The existing arrangements are hard-wired into OAD making process revisions burdensome. We therefore propose to transfer these into a new subsidiary document that will require amendments be approved by the Offtake Committee, rather than a formal Modification.

4 Code Specific Matters

Reference Documents

A general understanding the OAD would be beneficial, specifically Sections A, B and N.

Offtake Arrangements Document (found here: <https://www.gasgovernance.co.uk/OAD>)

Knowledge/Skills

An understanding of operational works, commercial practice, etc would be advantageous.

5 Solution

Business Rules that will be addressed via the implementation of a new subsidiary document (attached below):

- BR1 - Any party (the amending party) can initiate the update process and draft proposed changes;
- BR1a - Amendments are to be made to the current version of the relevant supplemental agreement only, with track changes applied;
- BR2 - For tri-partite sites, the amending party shall assess the impact on the services party and will seek approval for any modifications to the site services (Section 3 within the SA template). Written confirmation from the services party that amendments to site services have been reviewed and agreed upon, should be provided before submission of the revised SA;

- BR3 - The revised process will modify the draft phase and execution phases. Drafts will need to be processed in line with N3.2.2 whilst the execution phase will remain transactional with set timescales;
- BR4 - Only under the following circumstances should amendments to the draft Supplemental Agreement be prepared and where possible, agreed upon prior to the implementation of changes coming into effect:
 - Any amendments to the data that resides in the Appendix D - Flow Rates;
 - The amendment of the site status within Appendix D - Gas Quality Measurement i.e. CV Directed Offtake or Non-Directed Offtake;
 - Any amendments to the telemetered data points that reside in Appendix E of the Supplemental Agreement (refer to OAD Annex E1 for obligation requirements);
 - Exception: For Metering upgrades or changes in metering technology, as documented within Appendix D - Measurement Equipment, the relevant information must be prepared and submitted ahead of the “*operational go live*” for the respective metering assets involved. The proposed changes will be formally executed by the parties, providing no further amendments to the submitted details are necessary following the commissioning of the respective assets.

Under the requirements set out in OAD Section D7.1 (Records) and D7.2 (Access to Records and Inspection Rights), the upstream party may upon request ask the downstream party to provide the following information concerning any metering upgrades or replacements. The provision of the information will be subject to the scope of work undertaken by the downstream party:

- Functional Design Specification;
- Measurement Uncertainty Calculations to ISO 5168 or equivalent;
- Commission Test Evidence (FAT/SAT/ME/2);
- FAT Results & Certificates;
- Draft Supplemental Agreement (Appendix D);
- Current Gas Chromatograph/ISO 10723 Calibration and/or Inspection Report & Certificate.
- BR5 - Parties may require additional information from the amending party to support acceptance of the revised Supplemental Agreement.

Business Rules that will be addressed via the modification of legal text:

- BR6 - Section N3.3 and N10 to reflect the provision of a new subsidiary document. This should establish the default position replacing N3.3.1(a) to (d);
- BR7 - the process will apply to all site types including Shared Sites;
- BR8 - A new clause is necessary to close, supersede or terminate the previous version of the Supplemental Agreement when a new agreement has been entered into. The inclusion of a new provision within OAD will negate the need to update the recitals or legal text within the OAD template documents.
- BR9 - Section N1.2.1 (Subsidiary Documents) will need to be updated to include the new process document.

The Subsidiary Document will be published alongside this Report and can be found on the Joint Office website at; [0829S - Updates to the Supplemental Agreement Amendments Process | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://gasgovernance.co.uk/0829S-Updates-to-the-Supplemental-Agreement-Amendments-Process)

If the Modification is approved then the Subsidiary Document will be published as part of the OAD.

6 Impacts & Other Considerations

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No.

Consumer Impacts

No consumer impacts are anticipated as the amendments will impact Transporter processes only with a view to producing a more efficient outcome.

What is the current consumer experience and what would the new consumer experience be?

No consumer group should experience any change as the amendments will impact processes internal to Gas Transporters only.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability n/a	None
Lower bills than would otherwise be the case n/a	None
Reduced environmental damage n/a	None
Improved quality of service n/a	None
Benefits for society as a whole n/a	None

Cross-Code Impacts

No other industry codes are affected.

EU Code Impacts

There is no impact on any EU Code.

Central Systems Impacts

There is no impact on any central system and no ROM is required

Performance Assurance Considerations

Workgroup Participants did not identify any concerns.

Panel Questions

n/a

Workgroup Impact Assessment

Workgroup Participants did not raise any concern or disagreement with the statements made by the Proposer for any of the sections above.

A Workgroup Participant identified that when the new Supplemental Agreement is signed, it should have wording to the effect of: 'it replaces or supersedes any existing agreements.

The Proposer responded that the template would not need amending as they have Version Control in place and therefore, do not require any further statements indicating validity.

All Workgroup Participants agreed that version control would be a suitable approach that satisfies the concern raised.

7 Relevant Objectives

Impact of the Modification on the Transporters' Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
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.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or	None

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	
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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

The proposal furthers relevant objective *f) Promotion of efficiency in the implementation and administration of the Code* by updating an out-of-date OAD, to bring it in line with current industry practice. Doing so in tandem with transferring the obligations into a subsidiary document should improve the overall efficiency of the process by allowing changes to be approved by the Offtake Committee in a timely manner.

Workgroup Assessment of Relevant Objectives

There was no disagreement.

8 Implementation

As Self-Governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

Workgroup Assessment

A Workgroup Participant identified that projects that are ‘in-flight’ should continue to be managed under the regime under which they commenced. New projects agreed after the implementation date would be subject to the new arrangements.

9 Legal Text

Legal Text has been provided by Cadent Gas and is included below.

Workgroup Assessment

The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

A Workgroup Participant wished to confirm that N3 in section 2.12 of the Subsidiary Document contained text to align with the proposal. The Proposer confirmed that the text in the Subsidiary Document will align and a finalised version published alongside this report.

Text Commentary

UPDATES TO THE SUPPLEMENTAL AGREEMENT AMENDMENTS PROCESS EXPLANATORY TABLE

Reference	Explanation
Offtake Arrangements Document	-
Section N – General	-
Amended paragraph 1.2.1	To add the Supplemental Agreement Amendment Process to the list of Offtake Subsidiary Documents.
Amended paragraph 3.2.1	To make clear a Supplemental Agreement can be amended in accordance with the Supplemental Agreement Amendment Process.
Amended paragraph 3.3.1	To confirm when Parties require a new, or amended, Supplemental Agreement, the Supplemental Agreement Amendment Process is to be followed.
Amended paragraph 3.3.2	The new or amended Supplemental Agreement to be prepared by following the Supplemental Agreement Amendment Process.
New paragraph 3.3.3	To make clear a new or amended Supplemental Agreement will replace and supersede any existing Supplemental Agreement Amendment Process, which shall then cease to have effect.
Amended 10.1.3	To note a Shared Site Agreement can also be amended in accordance with the Supplemental Agreement Amendment Process.
Amended paragraph 10.1.5	To confirm when Parties require a new, or amended, Shared Site Agreement, the Supplemental Agreement Amendment Process is to be followed.

Text

MODIFICATION 0829

UPDATES TO THE SUPPLEMENTAL AGREEMENT AMENDMENTS PROCESS

OFFTAKE ARRANGEMENTS DOCUMENT

SECTION N – GENERAL

Amend paragraph 1.2.1 to read as follows:

- 1.2.1 In this Document, "**Offtake Subsidiary Document**" means each of the following documents:
- (a) ...
 - (g) the OAD Template Agreements Document (referred to in Section A3.1.1 and paragraph 3.1.2);
 - (h) the Supplemental Agreement Amendment Process (referred to in paragraphs 3 and 10); and
 - (hi) any other document which may be specified or may be agreed by the Parties to be a Offtake Subsidiary Document.

Amend paragraph 3.2.1 as follows:

- 3.2.1 A Supplemental Agreement may be amended by agreement of the Parties and in accordance with the Supplemental Agreement Amendment Process and not otherwise (save for a Designated Offtake or Non-Designated Offtake which may be amended (limited to amendments to Designated or Non-Designated components) by National Grid NTS if both Parties cannot agree); and accordingly, a Supplemental Agreement shall not be subject to modification pursuant to the Modification Rules (but without prejudice to any modification of any provisions of this Document which apply to or are incorporated into such Supplemental Agreement).

Amend paragraph 3.3.1 to read as follows:

- 3.3.1 Whenever any Parties are required pursuant to this Document to enter into a new Supplemental Agreement, or to amend an existing Supplemental Agreement, unless the Parties otherwise agree the Parties shall in each case follow and comply with the Supplemental Agreement Amendment Process:
- ~~(a) the downstream Party shall promptly provide such information (relating to the Offtake) as the upstream Party may request for the purposes of preparing the draft Supplemental Agreement;~~
 - ~~(b) the upstream Party shall, within 10 Business Days after receiving the requested information from the downstream Party, prepare a draft of the Supplemental Agreement or amendment thereof and submit the draft to the downstream Party for the downstream Party's approval;~~
 - ~~(c) the downstream Party shall reply, within 10 Business Days after receiving the draft Supplemental Agreement, either approving the draft or specifying any proposed revision of the draft;~~
 - ~~(d) if the upstream Party does not approve any revisions proposed by the downstream Party, the provided that if Parties are unable to agree on the terms of the new or amended Supplemental Agreement the Parties shall promptly meet with a view to resolving the matter (failing which the matter may be resolved by a determination of either Party with Condition A11(18) Approval).~~
- 3.3.2 Following approval by each Party of the draft or revised draft Supplemental Agreement (or resolution of any dispute relating thereto) ~~the upstream Party shall prepare a final version which shall be executed by both Parties~~ agreed form of the Supplemental Agreement shall be prepared and executed in accordance with the requirements of the Supplemental Agreement Amendment Process.

Add new paragraph 3.3.3 to read as follows:

3.3.3 Where a new Supplemental Agreement is entered into (and such agreement is to replace and supersede an existing Supplemental Agreement) such new Supplemental Agreement shall take effect in accordance with its terms, following which the existing Supplemental Agreement shall cease to have any further legal effect and shall cease to be binding on the parties to it.

Amend paragraph 10.1.3 to read as follows:

10.1.3 A Shared Site Agreement may be amended by the agreement of the Parties and in accordance with the Supplemental Agreement Amendment Process and not otherwise; and accordingly a Shared Site Agreement shall not be subject to a modification pursuant to the Modification Rules.

Amend paragraph 10.1.5 to read as follows:

10.1.5 Where a new Shared Site is established, or any change is made to an existing Shared Site, the Parties will enter into a new Shared Site Agreement or (as the case may be) amend the existing Shared Site Agreement, in each case in accordance with the Supplemental Agreement Amendment Process; and where an Offtake (including a Closed Offtake) is to be established at a Shared Site the Parties shall enter into a Supplemental Agreement.

10 Recommendations

Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this Self-Governance Modification.

Panel have also asked respondents:

1. To provide views if there are consequential issues for in-flight projects to move to the new process.