



Making a positive difference
for energy consumers

Ms. Penny Garner
Joint Office of Gas Transporters
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15 May 2018

Dear Ms. Garner,

Thank you for your letter of 17 April 2018 regarding code modification UNC621 and the UNC Panel's response to the Authority's Decision to direct National Grid Gas plc (NGG) to undertake specific tasks to implement the European Network Code on harmonised transmission tariff structures for gas (TAR NC).

As you are aware, the direction required NGG to use reasonable endeavours to ensure that the UNC621 workgroup report was submitted to the UNC Panel in sufficient time for consideration at the 17 May 2018 Modification Panel meeting.

I am mindful of the concerns raised by industry participants that timescales for completion of the workgroup report have been challenging, and I am grateful for the significant time and resource that has recently been dedicated to meet the timescale set out in the Authority's direction, by the Joint Office, UNC Panel, National Grid Gas and wider industry participants. However, I remain disappointed with the delays earlier in the UNC621 code modification process that contributed to timescales becoming considerably constrained.

UNC621 was raised in July 2017 to implement TAR NC, a regulation in development since 2012 and published in March 2017, and to take forward the conclusions of Ofgem's Gas Transmission Charging Review, published in November 2015. As such, the requirements on industry to deliver the changes required by TAR within the specified timeframe have been well-understood for a considerable period of time. Given the considerable amount of work undertaken preceding the UNC621 proposal and the level of detail included within the TAR NC, it was evident that industry was well placed to take this work forward via the standard code modification process within a single industry code and a Significant Code Review was not necessary to deliver this package of work.

As stated in the letter accompanying the Authority's Direction, the development of the UNC621 workgroup report was slower than anticipated. A lack of supporting assessment at a relatively late stage in the drafting of the workgroup report caused concerns among

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industry parties that there was insufficient evidence to enable parties to reach an initial view on whether any of the proposals would better facilitate the relevant objectives, comply with EU law, and/or provide an outcome that is in the interests of consumers. Our March 2018 Direction extended the timescales to ensure the workgroup could fully develop its proposals, and if further assessment identified deficiencies in the existing proposals, that new proposals could come forward if deemed appropriate.

Despite this extension of the timescale, I understand it has been suggested that sections of the Draft Modification Report (DMR) that could be further improved, and that the workgroup have expressed their view that they had insufficient time to complete certain pieces of analysis. As such, we would encourage the Panel to consider whether there may be value in allowing additional time for DMR development, within the constraints of the TAR implementation timelines.

I appreciate the UNC Panel's continued support to Ofgem and the wider industry in relation to this work.

Please note that, following a recent Ofgem restructure, Andrew Burgess will be taking over responsibility for dealing with this matter. I would be grateful if any future correspondence on this matter could be addressed to him.

Yours sincerely,

By email

Cathryn Scott
Director
Wholesale Markets and Commercial