



# UNC Modification Panel: Self-Governance Consideration

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**Cadent**  
Your Gas Network

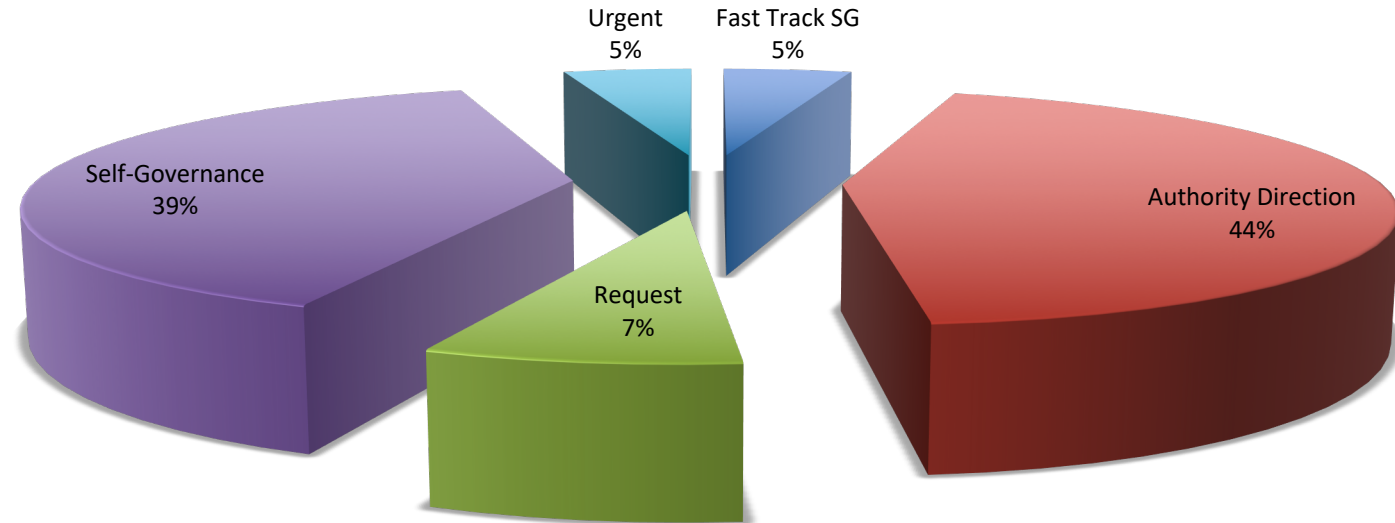
# Analysis of Modifications Submitted to UNC Panel since 1<sup>st</sup> April 2016

- Pre Panel
- Post Panel

# 107 Modifications raised between 1<sup>st</sup> April 2016 and 30<sup>th</sup> April 2018

Fast Track - SG	5
Authority Direction	47
Request	8
Self-Governance	42
Urgent	5
	<b>107</b>

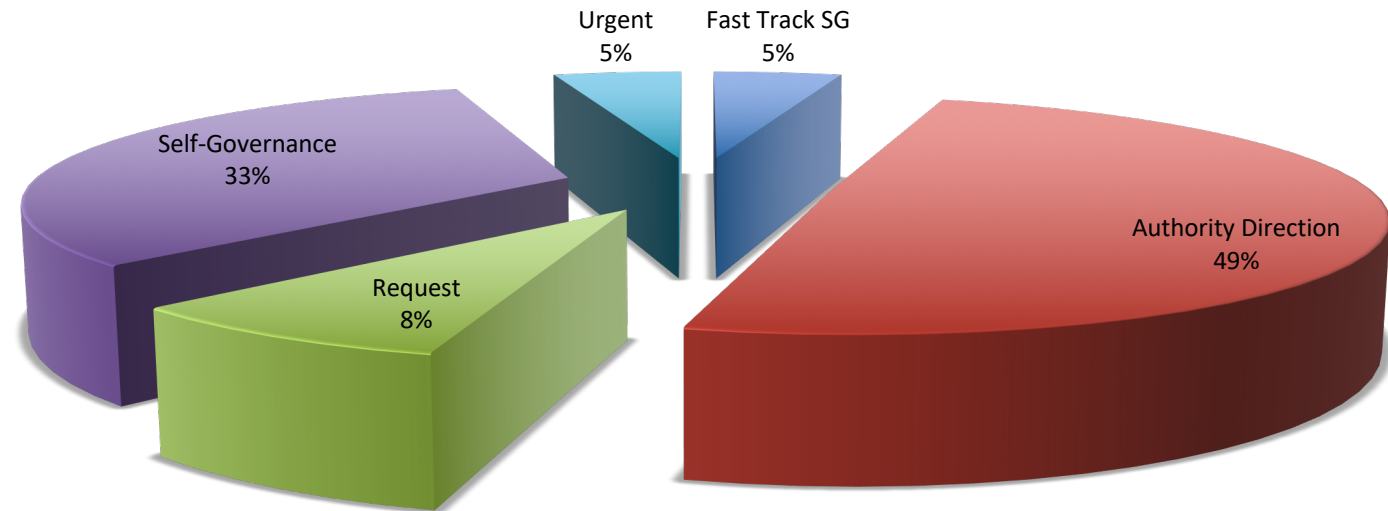
Pre-Panel



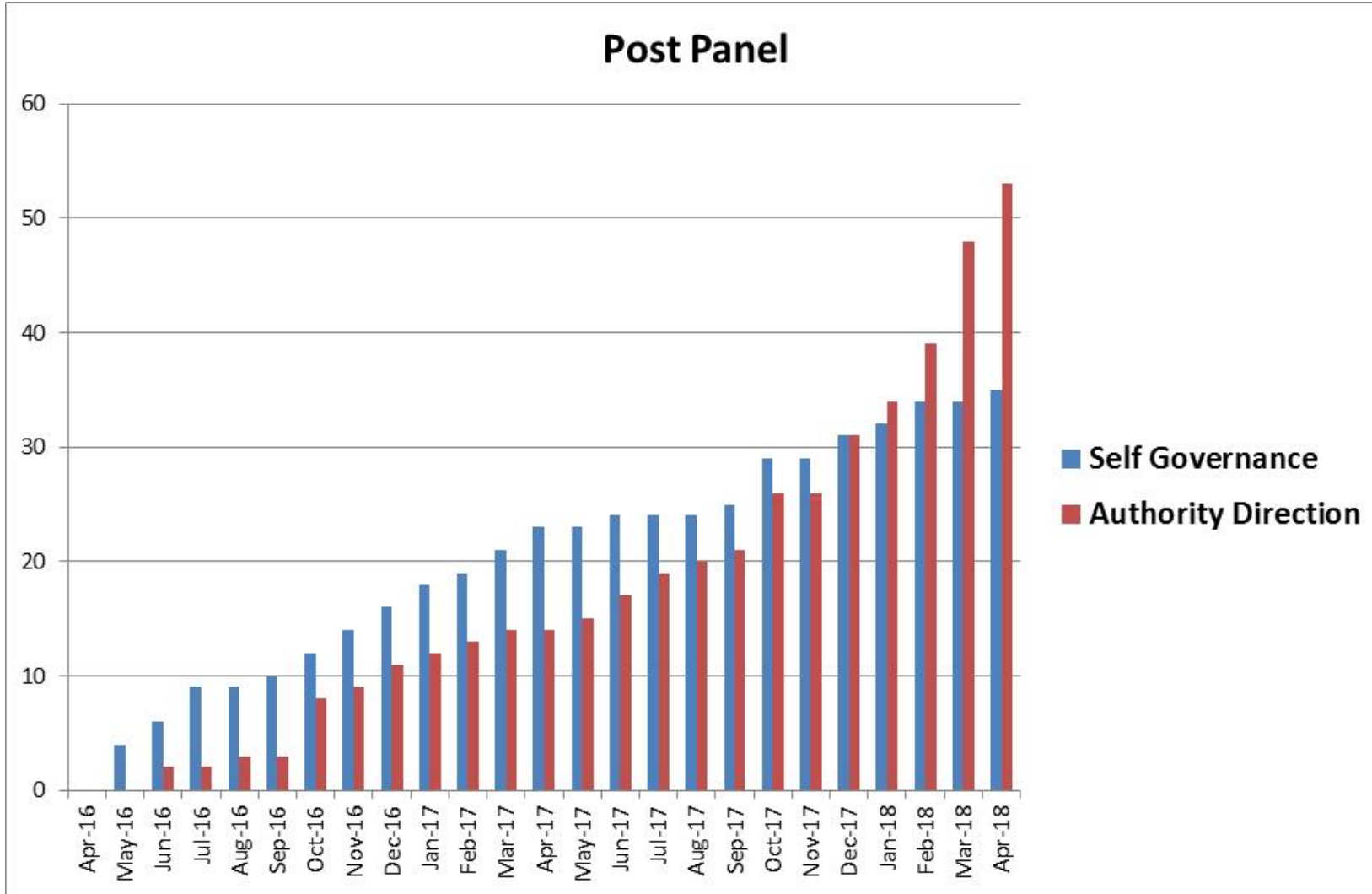
# 107 Modifications raised between 1<sup>st</sup> April 2016 and 30<sup>th</sup> April 2018

## Post-Panel

Fast Track - SG	5
Authority Direction	53
Request	9
Self-Governance	<b>35</b>
Urgent	5
	<b>107</b>



# Cumulative Modifications raised



# Self Governance Criteria

## UNC – Self Governance Modifications: Guidance for Proposers

Under Ofgem's Code Governance Review Phase 3 (implemented summer 2016), the operation of self-governance is reversed from that used previously. This means that Proposers are required to demonstrate the materiality of their modification if they believe an Authority direction is required. This brief note seeks to provide areas for Proposers to consider in considering what might constitute a 'material effect' as described in the Self-Governance criteria.

In all circumstances, Proposers will be expected to objectively justify their materiality assessment

# Self Governance Criteria

Proposers should also remember that modifications likely to introduce any kind of discrimination between classes of parties across the industry normally require Authority direction.

Effect on	Likely to require Authority decision if your proposal....
Existing or future gas consumers	<ul style="list-style-type: none"> <li>Increases switching timescale.</li> <li>Materially increases costs that are passed on to consumers, or may be in future.</li> </ul>
Competition in, or commercial activities related to, the shipping, transportation or supply of gas	<ul style="list-style-type: none"> <li>Reduces competition, or choice, in the marketplace.</li> <li>Significantly increases complexity of processes (where this potentially leads to confusion for consumers).</li> <li>Entails parties incurring an additional cost (eg significant cost for few or additional costs for many).</li> <li>Introduces different treatment according to class of parties, whether you believe it is justified or not – see also the note below the table).</li> </ul>
Operation of one or more pipe-line systems	<ul style="list-style-type: none"> <li>Has the potential to create stranded regulated assets.</li> <li>Increase investment in network assets.</li> <li>Transfer obligations or rights between the NTS and one or more of the DNs.</li> </ul>
Sustainable development, safety or security of supply, or the management of market/network emergencies	<ul style="list-style-type: none"> <li>Has the potential to result in a widespread increase in carbon emissions or greenhouse gases</li> <li>Would entail network operators seeking approval of an amended Safety Case.</li> <li>Reduces the availability of supplies of gas.</li> </ul>
UNC governance or modification procedures	<ul style="list-style-type: none"> <li>Affects the rights of the industry to be engaged in proposed changes to the UNC.</li> <li>Changes the User or Transporter representation obligations.</li> <li>Changes any Authority decision-making capacity.</li> </ul>

# Cadent's view – for Panel consideration

- Pre-Panel 47% of overall number of Modifications subject to self governance
- Post-Panel 40% of overall number of Modifications subject to self governance
- Is this an acceptable proportion? Risk of industry/Ofgem criticism if insufficient proportion of UNC Modifications are self governance?
- Challenge whether Self-Governance decision is subject to sufficient scrutiny by Modification Panel – decision process seems arbitrary?
- Suggest a more formal approach to making a Self Governance decision – role of Panel Chair to ensure appropriate scrutiny by applying predetermined 'evidence of materiality' criteria?
- Should there be a higher level of Panel majority to change Modification from Self Governance?
- Other concerns?