

Stage 01: Proposal

0361

Consider the duration of changes
against wider industry developments

What stage is this document in the process?



Place a clear requirement on the UNC Modification Panel to consider wider industry developments, e.g. the development of the Smart Metering Arrangements /Smart Energy Code and if necessary defer a decision on recommendation until the impact/duration is clearer.



The Proposer recommends
That this Proposal proceeds straight to consultation



High Impact:
None



Medium Impact:
None



Low Impact:
UNC modification panel; Transporters, Shippers

0361

Modification

02 February 2011

Version 1

Page 1 of 12

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Contents

- 1 Summary
- 2 Why Change?
- 3 Solution
- 4 Relevant Objectives
- 5 Impacts and Costs
- 6 Implementation
- 7 The Case for Change
- 8 Recommendation

About this document:

This document is a Proposal, which will be presented by the Proposer to the Panel on 17 February 2011. The Panel will consider the Proposer's recommendation, and agree whether this Proposal should proceed to consultation or be referred to a Workgroup for development.



3 **Any questions?**

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Insert name

 **...@...**

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0361

Modification

02 February 2011

Version 1

Page 2 of 12

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1 Summary

Is this a Self Governance Modification

Being a change to the UNC Modification Rules, this modification is excluded from self-governance.

Why Change?

With the rollout of Smart Metering and the development of the Smart Energy Code within 2011 it will be necessary to develop complex interoperability arrangements and formulate a governance process that will be compatible with a legacy and a Smart world. There is also the concern that any changes that may have large impacts on market participants systems, which may only be relevant for a short period of time, are progressed without due consideration of wider industry developments.

Solution

Any change that may unduly impact or materially affect wider industry developments may be deferred by the UNC Modification Panel to the next meeting when considering the Final Modification Report. This approach would still allow change to the UNC to be taken forward (e.g. urgent changes; minor changes which require no change to parties' systems; changes that are not mandatory; and major changes where there is a compelling case to make the change to benefit all or some parties without adversely impacting others or where change is required for legal reasons), however it would allow the Panel to act in the best interests of the industry, market participants and consumers by ensuring costs are not inflated by short term change. This would be particularly pertinent where a business case for a change relies upon a specific timescale to deliver.

Impacts & Costs

1. Impact will be on the UNC modification panel only.
2. There are no implementation or ongoing costs associated with this proposal.

Implementation

This modification should be implemented as soon as approved by the Authority.

The Case for Change

Implementation of this proposal will affect better administration of the code as well as shielding Industry parties from additional costs which would be detrimental to the consumer and competition.

Recommendations

The Proposer invites the Panel to approve this Modification Proposal for immediate consultation.

2 Why Change?

Industry Change - 2011 and onwards

Throughout 2011 and 2012 the industry will change to incorporate Smart Metering Arrangements and other developments that may affect elements of the existing industry Codes and Agreements. During the period of transition from the existing baseline to a new Smart Energy Code there will be uncertainty about the scope and content of both the new and existing industry Codes. This may lead to situations where Parties may have to make short term changes under the UNC, only to have to change them again to incorporate provisions for the Smart Energy Code a short while later.

Without change to the Modification Panel's duties there is a risk that UNC Modification proposals would not be considered in this light and the Panel would therefore recommend change that would have a detrimental impact to the rollout and implementation of smart metering in the short term. We believe this will also encourage Proposer's of change to fully consider the future implications of their proposal and in particular if it would be short lived as further change would be necessary to incorporate Smart arrangements.

The changes that will occur to the industry will place a large cost burden on market participants and therefore on consumers. This proposal will help to mitigate this and therefore keep costs down over the course of the smart rollout and any interoperability period.

3 Solution

Additional Modification Panel Duty

A duty will be placed upon the Panel when considering the Final Modification Report to have regard to any likely short term impacts on industry and party systems and interoperability arrangements within the industry. If any of these are determined to be detrimental the Panel shall not make a recommendation with respect to implementation until an appropriate time in the wider industry development process is reached. The Panel will instead defer consideration of the Modification Proposal until the next meeting. When the Panel are confident that no detrimental impact will occur they will make a recommendation as usual on implementation of the Proposal. From this point on we envisage that the Proposal will proceed through the process in the normal way.

This is not intended to arbitrarily prevent change. We envisage there will be much change to the UNC that can be progressed in the short term. However, we believe this will encourage parties to bear in mind the likely impacts of change in the current fluid situation when responding to consultation on Modification proposals and also when raising proposals.

The Modification rules currently specify that a Proposal cannot remain in the assessment phase for more than 6 months, however, this obligation will not apply to Proposals that are deferred by the Panel as a result of concerns regarding wider industry developments such as Smart.

We would emphasise at this point that any Workgroup developing the Proposal should consider this additional duty when finalising Workgroup Reports.

Significant Code Reviews

We are aware that the Authority now has the ability to raise a Significant Code Review (SCR) and require the Panel to notify them of any Proposals that are raised which would fall into the scope of the SCR. The Authority can then choose to suspend these for the duration of the SCR. We believe that this Proposal would not interfere with this process as the Panel are required under this Modification to consider the impacts at the final stage of the process whereas under an SCR they would consider the modification at the start.

Also as there is no guarantee that Ofgem will launch an SCR we believe it is prudent to install a mechanism such as this within the governance arrangements. This will ensure that the process acts in the best interest of market participants and consumers alike.

Current Modification Proposals

We envisage that this UNC Modification, if implemented, will apply to all Proposals that have not been recommended for implementation up to that point.

4 Relevant Objectives

The Proposer believes that 0361 will better facilitate the achievement of **Relevant Objectives d, f**.

Proposer'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.	
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.	
c) Efficient discharge of the licensee's obligations.	
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.	Identified Impact.
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.	
f) Promotion of efficiency in the implementation and administration of the Code	Identified Impact.

d) Securing of effective competition:

This will better facilitate competition by ensuring that industry participants are not subject to unnecessary additional costs and also by encouraging market participation by ensuring cost exposure to new players in an interim period is limited. This will have the added benefit of keeping costs down therefore protecting consumers and smaller suppliers/shippers.

f) Promotion of efficiency in the implementation and administration of the Code

This Proposal will better facilitate this objective by ensuring that the Panel can effectively administer change in what will be a challenging environment and help to ensure that any change made to the Code does not adversely impact Smart arrangements and possible interoperability in the future. It will also encourage

Parties to consider the impacts any Proposal may have on interoperability and Smart in the medium to long term

5 Impacts and Costs

Costs

None identified

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"> None

Indicative industry costs – User Pays	
Classification of the Proposal as User Pays or not and justification for classification	
N/A	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
N/A	
Proposed charge(s) for application of Users Pays charges to Shippers	
N/A	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve	
N/A	
User Pays implications	<ul style="list-style-type: none"> N/A

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> N/A
Development, capital and operating costs	<ul style="list-style-type: none"> N/A
Contractual risks	<ul style="list-style-type: none"> N/A
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> N/A



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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	• N/A
Development, capital and operating costs	• N/A
Recovery of costs	• N/A
Price regulation	• N/A
Contractual risks	• N/A
Legislative, regulatory and contractual obligations and relationships	• N/A
Standards of service	• N/A

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• Minor change to facilitate Panel consideration of wider industry developments and enable the Panel to defer decisions to next meeting.
UNC Committees	Minor impact on UNC modification Panel
General administration	N/A

Impact on Code	
Code section	Potential impact
Section 9 Modification Rules (section 9.3.3)	Change to Final Modification Report rules

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	N/A
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	N/A
Storage Connection Agreement (TPD R1.3.1)	N/A
UK Link Manual (TPD U1.4)	N/A
Network Code Operations Reporting Manual (TPD V12)	N/A
Network Code Validation Rules (TPD V12)	N/A
ECQ Methodology (TPD V12)	N/A

Impact on UNC Related Documents and Other Referenced Documents	
Measurement Error Notification Guidelines (TPD V12)	N/A
Energy Balancing Credit Rules (TPD X2.1)	N/A
Uniform Network Code Standards of Service (Various)	N/A

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	N/A
Gas Transporter Licence	N/A
Transportation Pricing Methodology Statement	N/A

Other Impacts	
Item impacted	Potential impact
Security of Supply	N/A
Operation of the Total System	N/A
Industry fragmentation	N/A
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	N/A

6 Implentation

We recommend that this proposal is implemented directly following approval by the Authority.

0361

Modification

02 February 2011

Version 1

Page 10 of 12

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7 The Case for Change

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

Advantages

- As this change will require the Panel to consider the wider industry impacts of any proposal and duration it will encourage other signatories to consider this within their proposals as they will seek to improve/change the Panel's viewpoint. This allows for a much greater consideration of the ongoing impact of any change.
- The benefit to competition will also benefit the consumer because as Suppliers seek to recover costs of the rollout from customers it would not be prudent to enforce further development costs on industry participants which would then need to be passed onto the consumer.



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0361

Modification

02 February 2011

Version 1

Page 11 of 12

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8 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Modification Proposal 0361 progress to Consultation