

CODE MODIFICATION PROPOSAL No 0193
Removal of Certain "Gas not made available for offtake" Provisions from the UNC
Version 4.0

Date: 17/01/2008

Proposed Implementation Date: 01/04/2008

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

Pursuant to Ofgem Consultation 279/07, it is anticipated that a revised version of the 'Gas (Standards of Performance) Regulations' (the Regulations) will be introduced and become effective from 1 April 2008.

Regulation 7 of the Regulations mandates the payment by the relevant Transporter of compensation to the customer where supply is interrupted (as a consequence of failure of, fault with or damage to the pipeline system) and is not restored within a prescribed period. The revised Regulations further clarify circumstances where such provisions do not apply, one of which (sub paragraph 3(g)) is where '...the customer's premises are premises to which the conveyance of gas is at a rate in excess of 73,200kWh a year'.

This provision of the Regulations effectively encompasses and expands upon the existing scope of such payments which are made pursuant to Section J3.5.2 of the Transportation Principal Document of the Uniform Network Code (UNC). Such payments are currently made in respect of Smaller Supply Points where gas is not taken wholly or mainly for domestic purposes whereas operation of the Regulations will effectively mandate the payments to all Smaller Supply Points, regardless of the purposes for which the gas is offtaken.

Additionally sub-paragraph 3(e) of Regulation 7 clarifies the circumstances in which compensation is payable in respect of Smaller Supply Points on CSEP networks. Such payments are currently issued pursuant to section J3.11.6(a) of the Transportation Principal Document of the UNC.

It is therefore proposed that the functions of J3.5.2 and J3.11.6(a) are removed from the UNC, with effect from the proposed implementation date, as the provisions will be superseded by the Regulations. In conjunction with the above, it is also proposed that the Group Limit for Compensation Group J (in respect of Smaller Supply Points) as detailed in section V10(e)(vi) is removed.

Retention of the UNC provisions will effectively subject the single transaction to dual governance and maintain a consequential a risk of duplicate liabilities.

As the Statutory Instrument will be the primary authority for such payments,

it is appropriate to remove the equivalent terms within the UNC, especially as, in practice all consumers currently paid pursuant to the UNC will continued to be paid in such circumstances pursuant to the Regulations.

b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)

Not applicable.

c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.

The proposer believes that this proposal is sufficiently clear to proceed directly to consultation.

2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the 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;

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the 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;

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (e): so far as is consistent with sub-paragraphs (a) to (d), the 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;

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (f): so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

Implementation would ensure that the UNC does not duplicate obligations that will be documented in Secondary Legislation and therefore facilitates efficiency in the implementation and administration of the UNC.

3 The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation

No such implications have been identified.

4 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

a) The implications for operation of the System:

No such implications have been identified.

b) The development and capital cost and operating cost implications:

No such implications have been identified.

c) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:

No such cost recovery is proposed.

d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

Transporters contractual risk pursuant to the UNC will reduce. Alternatively, performance will be required by Secondary Legislation.

5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)

Implementation is not required to facilitate such compliance.

6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users

No such implications have been identified. Whilst removal of the UNC obligation in isolation would negate the requirement for the systems and processes required to make the payments, implementation of the amended Regulations will require the maintenance of such systems and processes.

7 The implications for Users of implementing the Modification Proposal, including:

a) The administrative and operational implications (including impact upon manual processes and procedures)

No such implications have been identified.

b) The development and capital cost and operating cost implications

No such implications have been identified.

c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

No such consequences have been identified.

8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)

No direct implications have been identified.

9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

No direct consequences have been identified.

10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above

Advantages

- Removes risk of dual governance and liability that will exist with effect from 1 April 2008 if the proposal is not implemented.
- Removes potential for conflicting rules regarding compensation payable.

Disadvantages

- No disadvantages have been identified.

11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)

No consultation has been initiated.

12 Detail of all other representations received and considered by the Proposer

No representations have been received.

13 Any other matter the Proposer considers needs to be addressed

None identified.

14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal

The Proposer aspires for implementation to coincide with the implementation of the amended Regulations.

15 Comments on Suggested Text

16 Suggested Text

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) J3.5.2, J3.11.6(a), V10(e)(vi)

Proposer's Representative

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Proposer

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