

Stage 01: Modification

0436:

Consequential changes to the UNC resulting from RIIO-T1

This modification proposes Code amendments to reflect changes to the NTS Gas Transporter Licence introduced by Ofgem under 'RIIO-T1', and other amendments to licence references in Code, which are currently incorrect.



The Proposer recommends that this modification should be considered by the Panel as a self-governance modification.



High Impact:



Medium Impact:



Low Impact:

National Grid Transmission, Gas Distribution Network Operators, Shippers and Suppliers

At what stage is this document in the process?

01

Modification

02

Workgroup Report

03

Draft Modification Report

04

Final Modification Report

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About this document:

This document is a modification, which will be presented by the Proposer to the Panel on 15 November 2012. The Panel will consider the Proposer's recommendation, and agree whether this Modification should proceed to consultation or be referred to a Workgroup for assessment.



3 **Any questions?**

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1 Summary

Is this a Self-Governance Modification

The Proposer believes that this modification meets the criteria for self-governance in that, if implemented, it is unlikely to

(a) have a material effect on

- existing or future gas consumers; or
- 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; and
- the operation of one or more pipe-line system(s); or
- matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; or
- the uniform network code governance procedures or the network code modification procedures; or

(b) discriminate between different classes of parties to the uniform network code / relevant gas transporters, gas shippers or DN operators.

The reason for this view is that this modification proposes administrative rather than policy changes. These are explained more fully below.

Why Change?

Changes to some NTS Gas Transporter (GT) licence conditions will be required as a consequence of the new RIIO regulatory framework that will come into force on 1 April 2013. It is necessary to amend those parts of the UNC which refer to the GT licence conditions that will be changing, so that the UNC cross references to the licence remain correct.

Solution

This Modification proposes amendments to the UNC so that the UNC correctly cross-refers to the revised NTS GT licence conditions.

As part of the exercise of identifying those GT licence conditions that need to be changed due to RIIO, a number of other shipper, supplier and GT licence references in the UNC, which National Grid NTS believes to be inaccurate, have been identified. This Modification therefore also proposes corrections to those licence references as a 'housekeeping' exercise.

Impacts & Costs

National Grid NTS does not envisage that there will be any costs, or impacts on systems, associated with this Modification.

Implementation

No view on implementation timescales is specifically proposed. However, National Grid NTS believes that it would be desirable to implement this Modification by 1st April 2013 so that the UNC accurately and promptly reflects the changes to licence conditions. In order to facilitate a potential implementation by 1st April 2013, National Grid NTS

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requests that the Modification Panel gives consideration to the timetable set for development of the Proposal, and whether or not the Panel would be prepared to consider any subsequent workgroup report at short notice given the “administrative” nature of the Proposal.

As this modification is proposed as a self-governance modification, implementation could be 16 business days after a Modification Panel decision to implement.

The Case for Change

If this modification is not implemented then some of the UNC references to licence conditions will be incorrect post-commencement of RIIO on 1 April 2013. Therefore implementation of this modification is necessary to ensure that the UNC properly reflects the prevailing licence conditions.

Recommendations

The Proposer recommends that this modification should proceed to Workgroup for assessment.

2 Why Change?

On 27 July 2012 Ofgem published 'RIIO-T1 and GD1: Draft licence conditions – First Informal Licence Drafting Consultation'. That document contemplates changes to the National Transmission System (NTS) Gas Transporter Licence. The changes are required in order for the licence to be consistent with the outcome of the current price control review based on the new RIIO (Revenue = Incentives + Innovation + Outputs) regulatory framework. Within the same document, Ofgem also proposes to update/consolidate a number of existing NTS licence conditions. However, it does not specify all of the new licence condition numbering, but rather identifies which sections of the licences will be subject to change. National Grid NTS currently expects Ofgem to publish a Second Informal Licence Drafting Consultation containing more detailed licence drafting and condition numbering by 31st October 2012.

These licence changes mean that amendments will be needed to a number of UNC paragraphs to ensure accurate cross-referencing between the UNC and the licence.

Based on Ofgem's First Informal Licence Consultation, National Grid NTS has made an initial assessment of the consequential changes that it believes will be required to the UNC, which are identified in this modification. This assessment will need to be updated when final licence drafting is available. Timely provision of final licence drafting will be necessary in order to develop legal text for the Workgroup to consider, and will enable the incorporation of the actual changes required into this modification.

When final licence drafting is available, there will also be a need to check that the new licence wording is consistent with the relevant Section of the UNC. National Grid NTS's initial assessment of required clauses has also revealed a few erroneous licence references in the Code. It is therefore also proposed to correct these errors within this modification.

3 Solution

It is proposed to amend the UNC to ensure that references within the UNC to the NTS GT Licence are aligned with the changes introduced by the RIIO T1 price control outcome. Any changes to UNC references that are specific to the DN Licence that may be required as a consequence of the RIIO-GD1 price control review are outside the scope of this Modification.

A preliminary assessment of the proposed changes is shown in Tables 1 to 3 below, based on Ofgem's 'First Informal Licence Drafting Consultation'. The new Licence references will need to be added to Tables 1 and 2 upon receipt of final licence drafting within Ofgem's Second Informal Consultation Document, scheduled for publication by 31st October 2012.

The changes proposed by this Modification are summarised in the three tables below:

Table 1 – Changes to clauses within the UNC that are expected to be necessary as a result of RIIO-T1

Table 2 – Proposed UNC changes where current references are believed by National Grid NTS to be incorrect and which are also expected to change as a result of RIIO-T1

Table 3 – Changes proposed to the UNC to amend licence references which National Grid NTS believes to be incorrect and are not expected to change due to RIIO-T1.

Table 1: Changes to the UNC currently proposed as a result of RIIO T1 (new licence references to be confirmed by Ofgem's Second Informal Consultation document)

UNC document and section	UNC paragraph requiring change	Current Licence reference
General Terms		
Section C	1	Special Condition C18
	1	Special Condition C8E
	1	Special Condition C15
	1	Standard Special Condition A43
	1	Special Condition C5(5)
Offtake Arrangements Document		
Section K	1.5.1	Special Condition C8D
Transportation Principal Document		

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UNC document and section	UNC paragraph requiring change	Current Licence reference
Section B	1.7.3	Special Condition C8B, C8C or E2b of the Transporter's licence
	1.7.11	Standard Special Condition A15(7) to (12)
	2.1.5	Part C9 of Special Condition C8D
	2.1.6	Part C9 of Special Condition C8D
	2.3.2(d)	Special Condition C8D(11)
	2.3.28(a)	Special Condition C8D(11)(b) and 12(b)
	2.3.28(b)	Special Condition C8D(11)(c) and 12(c)
	2.8.2(c)	Special Condition C5(3)
	2.11.1(c)	Special Condition C8B & C8C
	2.15.1	Standard Special Condition C8D
	3.9.1	Special Condition C5(3)
	3.12.1(b)	Standard Special Condition C8B and C8C
Section B: Annex B-1	3.10	Special Condition C8.E1(g)
Section D	1.1.4	Special Condition C5(5)
	1.4.1(g)	Special Condition C5(5)
Section F	1.1.2 (h)	Special Licence Condition C8B
Section G – Annex G-1	1(vii)	Standard Special Condition A50(8)(e)
Section I	3.11.1	Schedule A, Table A2
Section O	1.2.3 (a)	Standard Special Condition C2
Section Q	1.9.1(a)	Standard Special Condition A8
	2.5.1 (c)	Standard Special Condition A8
	3.5.1	Standard Special Condition A8(15)
	3.5.5	Standard Special Condition A8(15)
Section R	1.7.1(a)	Standard Condition 6(17)
Section V	1.1.1	Standard Special Condition A3
	10.6.1	Paragraph 4 of Special Condition C8B, C8C or paragraph 11 of Special

UNC document and section	UNC paragraph requiring change	Current Licence reference
		Condition E2B
Section Y	2.5.3	Special Condition C8B and C8E
	2.5.3	Special Condition C8C
	4.2	Special Standard Condition C8B
Y – Appendix B	Table	Special Condition C8B (3)(d)
Y – Appendix C	2.5.3	Special Condition C8B and C8E
	2.5.3	Special Condition C8C
Y – Appendix D Glossary	Table at 'IECR Statement'	Special Condition C15
	Table at 'Ten Year Statement'	Special Condition C2
	2.1	Standard Licence Condition 4B
	Appendix A paragraph 8	Special Condition C8A
	Appendix A paragraph 15	Special Condition C18

Table 2: UNC changes proposed - where current references to licence clauses are incorrect and correct current references are expected to change under RIIO T1

UNC document and section	UNC paragraph requiring change	Current Licence reference	Correct current licence reference
Transportation Principal Document			
Section B	2.15.1	Standard Special Condition C8D	Special Condition C8D PART C Paragraph 10
	3.12.1(b)	Standard Special Condition C8B and C8C	Special Condition C8B
Section Y	4.2	Special Standard Condition C8B	Special Condition C8B

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Table 3: UNC changes proposed to amend incorrect licence-related references in UNC paragraphs not being changed by RIIO

UNC document and section	UNC paragraph requiring change	Current Licence reference	Proposed licence reference (if currently known)
Transportation Principal Document			
Section F	4.5.6(a)	Standard Condition 37 of the Supplier's Licence	Condition 18
Section G	1.16.2(e)	Standard Condition 30 of the Shipper's Licence, by reason of a request made pursuant to Standard Condition 13(4)(a) of the Supplier's Licence,	No applicable reference
Section G	1.5.4	Condition 9(3)	No applicable reference
Section G	2.1.7(b)	Standard Condition 29 of the Supplier's Licence	Standard Condition 8 of the Supplier's Licence
Section Q	1.7.1(a)	Standard Condition 6(17)	Standard Special Condition A8(17)
Section V	1.2.4(b)	Condition 5(3)	Condition 6(3)
Section V	5.5.3(g)	Standard Special Condition 31 and Standard Special Condition 31((2)(d)(ii)	Standard Special Condition A31 and Standard Special Condition A31((2)(d)(ii)

4 Relevant Objectives

Impact of the modification on the **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.	Yes, see below
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.	None
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	Yes, see below
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

c) Efficient discharge of the licensee's obligations

Some of the current references to NTS GT licence conditions in the UNC will become obsolete or incorrect post 1st April 2013. This modification will correct these references, promoting the efficient discharge of licensee obligations.

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

This modification proposes to correct a number of existing licence referencing errors in the UNC, relating to the NTS GT licence. By proposing to amend/correct these references, this modification promotes efficiency in the implementation and administration of the Code.

5 Impacts and Costs

Consideration of Wider Industry Impacts

None identified

Costs

Indicative industry costs – User Pays	
Classification of the modification as User Pays or not and justification for classification	
No changes are proposed to Xoserve systems or processes. Therefore this is not a User Pays Modification.	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
Not applicable	
Proposed charge(s) for application of Users Pays charges to Shippers	
Not applicable	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
Not applicable	

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	None
Operational Processes	Ensures that Licensee operational obligations are accurately reflected in the UNC contract.
User Pays implications	None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	Corrects certain UNC references to shipper and supplier licences
Development, capital and operating costs	None

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Impact on Users	
Contractual risks	Correct alignment between Code and shipper and supplier licences removes any risks associated with misinterpretation between the documents.
Legislative, regulatory and contractual obligations and relationships	None

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	None
Development, capital and operating costs	None
Recovery of costs	None
Price regulation	Ensures that the UNC contract is aligned to the new price regulation arrangements under RIIO T1
Contractual risks	Ensures that the UNC contract is aligned with the GT Licence changes introduced by RIIO T1, thus removing mis-alignment and hence any risks associated with inaccurate interpretation between the two documents.
Legislative, regulatory and contractual obligations and relationships	Reflects the new regulatory obligations and licence referencing introduced by RIIO-T1
Standards of service	None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	None
UNC Committees	None
General administration	Ensures that the UNC document remains aligned with the NTS GT licence changes introduced by RIIO T1

Impact on Code	
Code section	Potential impact

Impact on Code	
General Terms: Section C; OAD Section K; TPD: Sections A, B, Annex B-1, C, D, F, G, Annex G1, I, O, Q, R, V, Y (including Appendix B,C,D)	<ul style="list-style-type: none"> Re-numbering of references to the NTS GT licence in the UNC

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none"> None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	<ul style="list-style-type: none"> None
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none"> None
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none"> None
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> None
Network Code Validation Rules (TPD V12)	<ul style="list-style-type: none"> None
ECQ Methodology (TPD V12)	<ul style="list-style-type: none"> None
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> None
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> None
Uniform Network Code Standards of Service (Various)	<ul style="list-style-type: none"> None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None

Impact on Core Industry Documents and other documents	
Gas Transporter Licence	<ul style="list-style-type: none"> This modification does not of itself impact on the NTS Gas Transporter Licence, but provides accurate referencing from the UNC to the licence. Amendments to UNC references specifically to the DN licence are outside the scope of this modification. However, any changes to UNC references to Standard Special Conditions will implement change in relation to both Licences.

Other Impacts	
Item impacted	Potential impact
Security of Supply	None
Operation of the Total System	None
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	None

6 Implementation

No view on implementation timescales is specifically proposed. However, National Grid believes that it would be desirable to implement this Modification by 1st April 2013 so that the UNC accurately and promptly reflects the changes to licence conditions.

As this modification is proposed as a self-governance modification, implementation could be 16 business days after a Modification Panel decision to implement.

7 The Case for Change

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

Advantages

None in addition to those noted above.

Disadvantages

None.

8 Legal Text

Text

Text will be provided during the development of this modification following receipt of proposed licence drafting from Ofgem in its Second Informal Licence Drafting Consultation.

9 Recommendation

The Proposer invites the Panel to:

- DETERMINE that this Modification proceeds to Workgroup for assessment.

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