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**Mr. David O'Neill**

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**Modifications 0678/A/B/C/D/E/F – Amendments to Gas Transmission Charging Regime<sup>1</sup>**

Dear David,

I am writing to you in my role as Independent Chair of the Uniform Network Code (UNC) Modification Panel.

As you know, the UNC is the hub around which the competitive gas industry revolves. As part of this, the UNC Modification Panel plays a pivotal role in ensuring good governance of changes to the Code. It is key that for each Modification, the Modification Panel assesses the case for change against the relevant code objectives; ensures that good quality and depth of analysis has been provided in code modification reports and that arguments in support of code modifications are well substantiated. This is key of course in cases that go to Ofgem for decision so that you have clarity over the industry's perspective or as is sometime the case differing perspectives.

On 20 December 2018, Ofgem issued its Decision Letter on **Modification 0621 – Amendment to Gas Charging Regime<sup>2</sup>**. Ofgem concluded that "neither UNC621 nor any of its alternative modification

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<sup>1</sup> 0678 - Amendments to Gas Transmission Charging Regime

0678A - Amendments to Gas Transmission Charging Regime (Postage Stamp)

0678B - Amendments to Gas Transmission Charging Regime

0678C - Amendments to Gas Charging Regime (Postage Stamp)

0678D - Amendments to Gas Transmission Charging Regime

0678E - Amendments to Gas Transmission Charging Regime – Treatment of Storage

0678F - Amendments to Gas Transmission Charging Regime – Treatment of Unprotected Entry Capacity Storage

<sup>2</sup>Ofgem Decision Letter dated 21 December 2018 Uniform Network Code (UNC) 621/A/B/C/D/E/F/H/J/K/L: Amendments to Gas Transmission Charging Regime (UNC621) <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-02/5.%2020%20December%202018%20Ofgem%20Decision%20Letter%200621.pdf>

proposals (UNC621A-L) are compliant with the TAR NC. Because of this, we are unable to conclude that implementation of any of the UNC621 modification proposals would better facilitate UNC Objective (e) - Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for Co-operation of Energy Regulators. Therefore, we cannot implement UNC621 or any of its alternative modification proposals. In view of this, we expect industry to ensure GB is compliant with the requirements of the TAR NC as soon as possible.”

As a result of Ofgem’s Decision Letter on Modification 0621 and its Alternatives, National Grid submitted an Urgency Request for **Modification 0678 – Amendments to Gas Charging Regime**.

On the 25 January 2019, Ofgem granted Urgency for Modification 0678. The Urgency timeline outlined that the Workgroup Report for Modification 0678 is to be completed on 06 March 2019.

As of Tuesday 26 February 2019, the UNC Modification Panel has approved six Alternative Modifications **(A-F)** to Modification 0678.

A further Extraordinary Modification Panel, is scheduled on Friday 01 March 2019 and so far, we have a further three Modifications **(G, H and I)** requesting that the Modification Panel treat them as an Alternatives to 0678.

The Joint Office of Gas Transporters has also informed me, that one further Alternative maybe presented up to the issuance of the Workgroup Report on Wednesday 06 March 2019.

As an aside, we discussed at our February Panel, the limitations we have under current rules about limiting or preventing multiple and last-minute Alternatives being raised. As you know, Jon Dixon attends these meetings as Ofgem’s representative. This is an issue that I believe warrants further review.

The UNC Modification Panel and Workgroup 0678 participants recognise the points raised in Ofgem’s Decision Letter of 21 December 2018 and are taking into consideration the highlighted matters.

To date, the Workgroup 0678 has highlighted a number of challenges that they are facing in relation to the completion of the Workgroup Report by Wednesday 06 March 2019: -

1. The large number and complex nature of the Alternatives to Modification 0678.
2. A lack of time to properly review each of the Modifications, noting that three will only be sent to Workgroup for consideration two days before the completion of the Workgroup Report and one further Alternative may be raised up to the issuance of the Workgroup Report.
3. As a result of back to back 0678 Workgroup meetings (required due to the timescales and number of Alternatives), participants are raising concerns that there is no time to review or analyse the Modifications and their impacts, not least on consumers.
4. Workgroup participants have also stated that they have not had adequate time to complete or review any analysis due to the time taken to release the FCC and associated 0678 model/sensitivity tool.
5. It is envisaged that the 0678 Modification will require a further update, and this then has a direct impact on the Alternative Modifications and
6. Legal text is still to be prepared for some of the 0678 Modifications.

I would also like to acknowledge the hard work that the 0678 Workgroup, wider industry and the Joint Office have put into the process.

Given the issues highlighted above, my concern is that my Panel may be unable to complete the good governance required around considering all these modifications and as a result, Ofgem may not get

the quality of full and reasoned decision that I know you need from industry. I do wonder whether the pragmatic way forwards here might be for Ofgem to formally consider extending the Urgency timescales put forward for Modification 0678, whilst also providing direction as to the treatment of any future Alternatives. Therefore, in accordance with **Section 12.8 of the Uniform Network Code – Modification Rules**<sup>3</sup>, may I respectfully request that Ofgem considers an extension to the conclusion of the Workgroup Report, with it to complete on Wednesday 10<sup>th</sup> April 2019.

As previously highlighted, the 0678 Workgroup Report is presently due to be completed on Wednesday 06 March 2019 and I would request a formal response to this letter ahead of this date.

If you agree, I will ask the Joint Office of Gas Transporters, to work with all parties to put forward a delivery plan for your review and I will ask that this is presented to you by close of play on Monday 4 March 2019.

In the meantime, If I can be of any further assistance in relation to the points above, I would be delighted to discuss these with you.

Yours sincerely

By email

Mark Shurmer

**Independent Chair of the Uniform Network Code Modification Panel**

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<sup>3</sup> <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/page/2019-01/18%20Modification%20Rules.pdf>