

UNC Panel Chair, UNC Panel
Members, gas transporters, gas
shippers, and other interested
parties

Email: David.Oneill@ofgem.gov.uk

Date: 12 November 2019

Dear Mark,

**Authority decision to send back Uniform Network Code (“UNC”) 696 (“UNC696”):
‘Addressing inequities between Capacity booking under the UNC and
arrangements set out in relevant NExAs¹’**

On Thursday 19 September 2019, the UNC Panel voted to recommend UNC modification proposal UNC696: ‘Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs’ to the Authority for approval and implementation.

We are unable to form an opinion on UNC696 on the basis that the Final Modification Report (“FMR”) does not contain sufficient information or analysis to form an opinion. To form an opinion, the FMR needs to:

- be clear about the arrangements involved in parties securing exit capacity;
- explain why the issue the FMR describes arose from those arrangements; and
- set out what related system changes may be required if the modification were to be implemented.

For these reasons, set out in more detail below, we are sending the proposal back to industry for further discussion at Workgroups and revision.

¹ Network Exit Agreements.

Separate to our reasons for sending back the proposal, we are concerned about the approach of both Workgroup and UNC Panel in considering the proposed Legal Text. The FMR states that the Distribution Workgroup did not consider the Legal Text. We note that the UNC Panel had not, at the time it sent the Draft Modification Report to consultation, scrutinised the Legal Text. The Legal Text became available for industry scrutiny three days before the consultation closed and only two out of seven consultation responses considered the proposed Legal Text. We are, therefore, concerned that the UNC Legal Text Guidance Document², which gives clear guidance on how Workgroup and UNC Panel should assess the Legal Text of modifications as part of the consultation process, was not followed.

Accordingly, we expect the UNC Panel to ensure the modification proposal and the Legal Text will be consulted on again before a revised FMR is resubmitted to the Authority.

Issues to be addressed

In Section 3 – ‘Why Change?’ – under the subheading ‘Background’, the FMR describes the series of events that led to the Proposer discovering an ‘inequity’ between Capacity booking under the UNC and arrangements set out in relevant NExAs. However, the FMR does not provide any background information about the procedures, responsibilities, timelines or legal underpinnings that the relevant parties to an exit capacity booking are required to adhere to. Due to the inadequate level of detail, it is unclear why the problem described arose.

In Section 6 – ‘Impacts & Other Considerations’ - the FMR states that, if implemented, UNC696 should “have no impact on Central System as the proposal can be addressed as part of the existing Transporter referral process”. There is no detail about what this process entails, and why there will be no impact on the Central System: and the assertion there will be no impact conflicts with what several consultation responses say about Central System impacts. Those respondents considered that UNC696 would impact the Central System and that changes to the Central System would therefore be required.

We therefore consider that we are unable to form an opinion on UNC696, based on the FMR that has been sent to us, under paragraph 15(b)(i) of Standard Special Condition A11 of the Transporters Licence. This is due to insufficient analysis and information provided in the FMR.

² UNC Legal Text Guidance Document available here: <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/qgf/Legal%20Text%20Guidance%20Document%20Revision%20v2.0.pdf>

We are sending the proposal back to industry for further discussion at Workgroup and subsequent revision of the FMR to enable us to form an opinion. Workgroup needs to assess - and we anticipate this will necessitate consideration in at least three Workgroup meetings – information provided about the following:

- the procedures, responsibilities and legal underpinnings that must be adhered to by all relevant parties involved in securing exit capacity;
- importantly, how these were followed in practice, giving rise to the Proposer seeking a modification of the UNC under UNC696 (i.e. why the problem arose in the first instance);
- any system changes that may be required if the proposed solution was implemented, as well as the impact of these changes on the implementation timelines.

Noting our concerns regarding the Workgroup and the UNC Panel’s prior assessment of the Legal Text, a revised FMR, including legal text, needs to be consulted on before the UNC Panel makes a determination about whether to recommend implementation, and a revised FMR is submitted to the Authority.

Direction

In accordance with paragraph 15(b)(ii) of Standard Special Condition A11 of the Gas Transporter Licence, we direct that the FMR be revised to reflect the additional information, and steps, set out above.

Yours sincerely,

David O’Neill
Head of Gas Systems, Energy Systems Transition
Signed on behalf of the Authority and authorised for that purpose