















UNC Modification		At what stage is this document in the process?
<h1>UNC XXXX:</h1> <h2>Amendments to Cost Recovery and Invoicing under OAD</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #008000; color: white; padding: 2px; display: flex; justify-content: space-between; align-items: center;"><span style="font-weight: bold; font-size: 1.2em;">01</span> Modification</div> <div style="border: 1px solid blue; padding: 2px; display: flex; justify-content: space-between; align-items: center;"><span style="font-weight: bold; font-size: 1.2em;">02</span> Workgroup Report</div> <div style="border: 1px solid purple; padding: 2px; display: flex; justify-content: space-between; align-items: center;"><span style="font-weight: bold; font-size: 1.2em;">03</span> Draft Modification Report</div> <div style="border: 1px solid orange; padding: 2px; display: flex; justify-content: space-between; align-items: center;"><span style="font-weight: bold; font-size: 1.2em;">04</span> Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>This Modification seeks to update the Offtake Arrangements Document (OAD) in order to bring it in line with industry changes made since 2005. The Request 0646R Workgroup has since identified that the Cost Recovery and Invoicing process should be amended within OAD.</p>		
	<p>The Proposer recommends that this modification should:</p> <ul style="list-style-type: none"> <li>be assessed by the Workgroup</li> </ul>	
	<p>High Impact: National Grid Transmission and all GDNs.</p>	
	<p>Medium Impact: None</p>	
	<p>Low Impact: None</p>	

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Timetable		Transporter: Cadent	
<b>The Proposer recommends the following timetable:</b>		 <a href="mailto:shiv.singh1@cadentgas.com">shiv.singh1@cadentgas.com</a>	
Modification presented to Panel	XX XXX XXXX	 07580 999 287	
Amended Modification considered by Workgroup	XX XXX XXXX		
Workgroup Report available for Panel	XX XXX XXXX	Systems Provider: Xoserve	
Draft Modification Report issued for consultation	XX XXX XXXX		
Consultation Close-out for representations	XX XXX XXXX	 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>	
Final Modification Report available for Panel (short notice)	XX XXX XXXX		
Modification Panel decision	XX XXX XXXX (at short notice)	Other: Darren Dunkley	
		 <a href="mailto:Darren.dunkley@cadentgas.com">Darren.dunkley@cadentgas.com</a>	
		 07768 102 196	

## 1 Summary

### What

Since the implementation of the OAD in 2005, a number of issues have been identified that need to be addressed. Whilst OAD deals with the matter of retrospective cost recovery, all operators agree that cost recovery could be agreed in advance of actual works taking place, thereby allowing all parties to plan accordingly. This proposal seeks to address this gap in OAD.

### Why

The process arrangements currently within OAD under Section L2.3 are focussed towards retrospective cost recovery. This can occur at any time and is also not time bound. This presents a number of issues for all operators. If cost recovery is identified after the event there is no guarantee that an operator's respective project will be still open, and if there has been a significant lapse of time for the request to be submitted e.g. in a subsequent financial year, this is also likely to cause issues in funding as this may not be readily available.

### How

The relevant sections of OAD are proposed to be modified, with new additions included as necessary, so that the resultant legal text satisfies the objectives of the Proposal.

The sections of OAD to be modified include:

- Section L: Cost Recovery and Invoicing and
- Section B: Connection Facilities.

The remainder of OAD will be reviewed to ensure there is no further impact.

## 2 Governance

### Justification for Self-Governance

The Modification should be subject to Self-governance procedures on the basis that the necessary changes would have no material impact on the commercial activities of Shipper Users, Gas Transporters or Gas Consumers. This is because the proposed changes are to address process gaps that have come about as a result of new industry and common commercial practice.

### Requested Next Steps

This Modification should:

- Be assessed by the Workgroup.

## 3 Why Change?

### Background

Since the implementation of the OAD in 2005, a number of issues have been identified which need to be addressed and resolved. It has been identified that specific sections of OAD are unclear and ambiguous and require clarity to ensure all parties are able to interpret them in a consistent manner. Addressing these issues should lead to greater efficiency. The 0646R Workgroup has agreed that a number of changes to OAD should be made which cover:

- The Cost Recovery and Invoicing process.

OAD currently has provisions that allow for the retrospective recovery of costs but, has no such provisions for the forward planning of such matters.

## 4 Code Specific Matters

### Reference Documents

Offtake Arrangements Document (found here: <https://www.gasgovernance.co.uk/OAD>)

### Knowledge/Skills

An understanding of operational works, commercial practice, etc would be advantageous.

## 5 Solution

### Business Rules

- **BR1:** Wherever possible, cost recovery should be agreed in advance of the respective work/activity taking place.
- **BR2:** As the majority of cost recovery clauses are associated with Section B (Connection Facilities) and Section G (Maintenance) requirements, the impacted operator must advise the notifying operator of the intent to recover costs either:
  - via a formal and timely response to a received OAD notice. The impacted operator must reply to the OAD notice advising them of the intent to recover cost; or
  - via the process of sharing of Maintenance Plans (OAD Section G). For non-routine or key maintenance items this must be in a timely response following the issue of the final plan on the 31st March each year. For routine maintenance items please refer to the respective cost recovery bullet below.
- **BR3:** Once the intent for cost recovery has been communicated, the impacted party will issue a formal quotation in line with the OAD cost recovery requirements contained within Section L. This will be reviewed by the parties. Once the final value has been agreed the notifying party will confirm formally via the issue of a Purchase Order (PO) reference. If a purchase order cannot be confirmed prior to the

work commencing, the issuing party should at a minimum confirm in writing to the impacted party, acceptance of the agreed quoted costs. If the impacted party does not have a confirmed purchase order or written confirmation to the acceptance of the quoted costs, the impacted party reserves the right not to attend site.

The clause concerning “omissions” (L2.3.1) needs to be revised and restricted in scope. As OAD notices should be issued 12 months in advance, at that point in time it may not be possible to know all the impacts that will occur upon the other operator(s). Some impacts may only come to light on the day that the physical changes are being implemented.

- **BR4:** Where an impact occurs that was not articulated or disclosed as part of the OAD notice process, that subsequently requires the impacted party to attend site to make safe or good only, this effort is to be treated as cost recovery. The impacted party is to advise the other party of such an omission and will issue a quotation within 60 days of the stated event. This amended clause will act as a backup for anything missed within the OAD notification processes.
- **BR5:** Any cost recovery requirements detailed in OAD Section D (Measurements) and Section F (Determination of Calorific Value) are not associated with modification or maintenance at OAD sites. For these cost recovery items, there should be some advance communication of the intent to follow through with the respective requirements and where a charge is required, this should be also agreed in advance where possible.
- **BR6:** Only in specific circumstances will cost recovery be on a retrospective basis where the costs may not be able to be agreed in advance. This would cover:
  - any recovery around emergency requirements where applicable;
  - routine maintenance items notified via a Shared Maintenance plan whereby the impact was not clearly known/identified at the time of issue; and
  - any maintenance items not notified via the Shared Maintenance plan that should have been.
- **BR7:** Where the level of cost recovery has been agreed and the issue of a respective purchase order has been provided, if for any reason the cost recovery value needs to be increased, then the impacted party must provide the revised cost information (preferably via the issue of a revised quotation for transparency and audit trail purposes) along with the appropriate justification for the increase to the other party. If agreed, the purchase order is to be revised prior to invoicing.

It is anticipated that only Clause 2.3 will be impacted within Section L by the proposed changes above. In addition, a small amendment is also required to Section B2.4.3 covering the reinstatement of connection facilities following emergency action:

- **BR8:** When the emergency has ended the Party that has taken the emergency action must inform the other Party as to the connection facilities that have been damaged.
- **BR9:** The other Party may allow for damaged non-gas conveying assets to be reinstated at the Emergency Party’s cost i.e. fence structures, service roads, buildings, site civils, etc.

For gas conveying assets, primary and secondary systems, competence needs to be taken into consideration and therefore, it may not be possible for the Emergency party to repair or replace damage they have caused to the other Party’s connection facilities.

For gas conveying assets, the following process is proposed:

- **BR10:** Emergency Party informs the other Party of the damage that has been caused;

- **BR11:** The other Party confirms whether the damage to their assets can be addressed by the Emergency Party, or instruct to make safe only;
- **BR12:** Where the damaged assets require a subsequent repair or need to be replaced so that their operation is restored to the same level as before the emergency action, the other Party will take the appropriate action and associated costs will be recoverable in line with the revised cost recovery proposals outlined above in BR3.

## 6 Impacts & Other Considerations

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

There is no impact on any Significant Code Review.

#### Consumer Impacts

There is no impact on consumers on the basis that the Modification is solely associated with Transporter to Transporter issues.

#### Cross Code Impacts

No other industry codes are affected.

#### EU Code Impacts

There is no impact on any EU Code.

#### Central Systems Impacts

There is no impact on any central systems.

## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
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.	Positive
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or	None

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	
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.	Positive
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

This section of the Modification facilitates GT Licence relevant objective *a) Efficient and economic operation of the pipe-line system, b)(i) Coordinated, efficient and economic operation of the combined pipe-line system and f) Promotion of efficiency in the implementation and administration of the Code* as it provides clarity on OAD matters impacting the Gas Transporters, thus enabling effective communication between parties, and a more efficient use of assets contained within their Systems.

## 8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

## 9 Legal Text

### Text Commentary

To follow

### Text

To follow

## 10 Recommendations

### Proposer's Recommendation to Workgroup

Workgroup is asked to:

- Assess this Modification and agree it is suitable to be issued to consultation.