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Our Ref.
Your Ref.

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Dear Julian

RE: Network Code Modification Proposals

712 – Additional information in Modification Proposals and Modification Reports

713 – Ability for Users to vary their Modification Proposals

714 – Use of Principles of Good Governance in applying Section Y of Network Code

715 – Modification Panel approval of the treatment of Representations in Final Modification reports

Thank you for the opportunity to comment on these Modification Proposals.

British Gas Trading is supportive of the implementation of this series of Modification Proposals.

You will be aware that the Gas Forum had established a group to review the operation and potential for improvement of the Network Code Modification process. These modifications form part of the findings of this group.

Whilst we acknowledge that the existing processes have on the whole delivered a workable methodology, these Modifications seek to build upon the positive aspects and address the identified shortcomings. Hence the approach has of choice been one of evolution rather than revolution.

We believe that each of the proposals presents a reasoned identification of the issues being addressed together with a revised method, which instils greater transparency, consistency, efficiency and collection and collation of information upon which any Modification Proposal may be judged against the relevant objectives of the licensed parties concerned.

Whilst we understand that Transco would wish to incorporate the views of respondents through this standard consultation process, we are disappointed that their Draft Modification Reports do not embrace the spirit and objectives of the suite of proposals and the improvements intended.

A version of legal text provided with each of these Modification Proposals and in each case reflects the intent of the proposal.

Transco seeks views from respondents on a number of specific questions:-

Specific questions regarding Modification Proposal 712

- In most cases, it would not be possible to provide a detailed assessment of impact upon systems at the time of the Draft Modification report. This is an integral part of the process of development and preparation of the Final Report.
- The responsibility for preparation of the final version of legal text must remain with the custodian of the document. This will be fashioned and shaped by the consultation into a final form for consideration at the time of approval/rejection. An earlier draft or view, as may be expressed by the proposer should be regarded as supportive information in consideration of the proposal at the consultation stage.
- The level of detail required for impact assessment will differ with each proposal. The intent of inclusion at the earlier stage is to be indicative rather than definitive and hence should not give rise to excessive delay in most cases.
- We are surprised to see the issue of funding of impact assessments raised in this context. It is surely an integral part of the everyday operation to assess the effect of changes which may impact upon any organisation. Given that detailed assessment will be necessary only where there are significant changes with a high probability of implementation, this should not prove to be any significant issue.

Specific questions regarding Modification Proposal 713

- The primary intent of this proposal is to allow some revision to the original proposal, which may arise through the process of development and consultation. This ability is currently afforded to Transco proposals but not to those raised by users. This restriction can severely impede the effective development of a necessary change to Code.
- We do not see the need for any revision to the obligations contained within a shipper licence. The Proposal simply allows some flexibility in development. We believe that the proposal and supplied drafting contain adequate control to determine the extent of revisions allowed before it would be necessary to raise a new proposal.
- We recognise that the inclusion of an additional step in the process could introduce further delay. However, in the majority of cases the requirement for variation will have emanated from other parts of the existing process and therefore possible to absorb within existing timescales. There would be scope for extension in some cases but even where this may be necessary, it would be more efficient to do so rather than to undermine the process by excluding the variation.

Specific questions regarding Modification Proposal 714

- As proposer, we make no apology for plagiarising one of the outcomes from the Ofgem paper. "These Principles of Good Governance" are generally followed in the management of these processes but we believe that this is effectively reinforced by inclusion within a Codified document.
- It is the intent of the Modification Proposal that this becomes an ancillary document but should become a document referenced from within Section Y Of the Network Code that is available to the industry and which will be maintained by the Modification Panel.
- We do not believe that the implementation of this Modification would add to any complexity. On the contrary, if such principles are followed the decision making process against defined criteria is simplified.
- We welcome Transco's initial support for the proposal and anticipate its recommendation in the Final Modification Report following the consultation.

Specific questions regarding Modification Proposal 715

- We recognise that the Final Modification Report is not the only document considered by the Regulator when deciding upon the merits of any Modification Proposal. However, the intent of this proposal is to ensure that the FMR is representative of the views expressed for the wider audience also. We understand that there may have been only a small number of occasions where Users have felt sufficiently mis-represented to take up the issue formally, the role of this element of the governance process in preparing the FMR is key in maintaining the required transparency and efficiency of the process.
- This facility does not require Panel members to have scrutinised all responses but introduction of this element within the process affords an opportunity, without excessive extension of existing timescales, for Users to raise concerns with Panel members where detail may have been missed or misunderstood. This also reinforces the role of Panel members as representatives of the industry in matters of governance and process.

In all cases we believe that early implementation would be beneficial and see no reason for delay in making such improvements.

Please contact me if you require any further information.

Yours sincerely,

Mike Young
Commercial Manager