

Representation For. 0002(0714)

"Use of Principles of Governance in Applying Section Y of Network Code"
Version 2.0

Date of Communication: 28/10/2004
External Contact: Tanya Morrison (Shell Gas Direct)
Slant: For
Strictly Confidential: No

Abstract

Shell Gas Direct Limited

Mr Julian Majdanski
Modification Panel Secretary
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28 October 2004

Dear Julian

Modification Proposals:
0712 "Additional Information in Modification Proposals and Modification Reports",
0713 "Ability for Users to Vary their Modification Proposals",
0714 "Use of Principles of Governance in Applying Section Y of Network Code"; and,
0715 "Modification Panel Approval of the treatment of Representations in Final Modification Reports"

I refer to the above modification proposals raised by Total Gas & Power, British Gas Trading and Shell Gas Direct respectively. All of these proposals aim to improve the governance of Network Code processes.

Shell Gas Direct (SGD) supports the implementation of all of these proposals. Again, we acknowledge that Transco's stewardship of the process to date has been largely satisfactory. However, given prospective changes to the gas environment and in light of experience with Code processes to date, we consider it fitting for changes to be made at this time. SGD is disappointed that Transco, while supportive of the intent of these of these proposals, has not been able to provide its full support. We hope that Transco will be able to recommend the implementation of all of these proposals when it submits its final modification report.

M712: We do not believe that the proposer intended for the initial view on the impact on Transco's IS system to be binding and therefore see no reason to object to Transco's proposal that a disclaimer be added to this section. We had understood the requirement to provide a view on IS impact to be high level and therefore do not consider that there should be any substantial additional costs which need to be addressed.

M713: SGD considers that this proposal would provide parity between Transco and shippers and allow Code processes to be used flexibly in the best interests of all parties. We would suggest that a proposer should be able to modify their own proposal up to the time that a draft modification report is circulated. This proposal would allow a User to vary its proposal in light of workstream discussions and comments made by other Users. If further information comes to light in responses to the draft modification report, the User could chose to withdraw the modification (before the final modification report is issued) and raise a separate one. To allow change too late in the process could undermine the ability for others to comment but by not allowing the modifications to be altered in development is too restrictive on Users.

We see no reason for this proposal to require any amendment to shippers' licences and we are not clear as to Transco's reasoning in this regard. Transco must ensure that any changes to the Code further the relevant objectives under its licence. Any amendment a shipper may make to a modification proposal after it has been raised may, or may not, make it more likely that the relevant objectives will met. It is this test which is essential, not whether shippers have specific licence obligations in this regard.

M714: We assume that the intention of this proposal is for the principles in the Licence to take precedent. However, the principles of governance proposed appear to us to be in line with the licence requirements, particularly relevant objectives to ensure efficient discharge of Transco's obligation under its licence.

M715: SGD would see the changes in this proposal only being used on rare occasions when a respondent considers that his representation has not been adequately reflected by the final modification report. It would be incumbent on the User to ensure that any concern is brought to the attention of the Panel. In most cases, it will also be appropriate to raise concerns in parallel with Transco. We would expect the comment or correction to be an addendum to the final modification report with comments from Panel members that they support the inclusion of that addendum.

We would suggest that the drafting is amended in 8.9.3 (j) to ".....paragraph 8.2.2 (not applicable to Third Party Modification Proposals), or were received in accordance with paragraph 7.3 and the representations...."

Concluding remarks

We consider that implementation of all of these proposals would further the relevant objectives by ensuring more efficient operation of the system by Transco and by promoting effective competition between shippers.

We see no reason why any of these proposals should increase Transco's costs. At present, Users rarely provide their own drafting and Transco must provide its own. Under this arrangement, Transco may chose to amend the drafting provided or chose to use its own. If anything, Transco's costs should reduce.

All of these modifications should be implemented as soon as Ofgem has made its decision. We see no reason for any delay.

Yours sincerely

Tanya Morrison
Regulatory Affairs Manager