

**REVIEW PROPOSAL No. 0004(0719)**  
"Changes to the Network Code to facilitate the sale of gas distribution networks"  
Version 2.0

**Date:** 17/09/2004

**Proposed Implementation Date:** 01/04/2005

**Urgency:** Review

**Proposer's preferred route through modification procedures and if applicable, justification for Urgency**

(see the criteria at [http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752\\_Urgency\\_Criteria.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf))

To allow the necessary changes to the Network Code to be assessed and draft modification proposal(s) to be developed under procedures overseen by the Network Code Modification Panel.

**Nature and Purpose of Proposal (including consequence of non implementation)**

The Network Code Modification rules sets out review arrangements which are designed to allow reforms to trading arrangements to be reviewed and developed under formal procedures designed to facilitate full stakeholder involvement. It is not appropriate for detailed discussions on fundamental changes to the Network Code to take place outside these established arrangements.

**Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence**

There is a risk that if the wide ranging changes envisaged to facilitate the transition to short-form and uniform network codes are considered outside the Network Code Modification Rules and Transco seek to submit a wide ranging modification to the Network Code late in the day, users may challenge any eventual Authority decision on the basis that due process had not been followed.

It is important that robust formal procedures are followed to ensure that users, other industry stakeholders and ultimately customer interests are given due consideration in the development of modifications to the Network Code. Such procedural safeguards will enable arrangements in support of DN sales to be developed and implemented in a form that provides maximum benefits to customers.

**Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text**

**Code Concerned, sections and paragraphs**

All sections of the Network Code.

**\*\*DRAFT\*\***

**DN Sale Review Group  
Terms of Reference**

**Chair** Transco

**Target Attendees** Transco, shippers, OFGEM, independent network operators and customers

**Purpose**

To evaluate what changes to the Network Code are necessary to facilitate the sale of gas distribution networks (DNs). This shall include consideration of the transfer of obligations to short-form codes and the Uniform Network Code (UNC) and identification of which rules currently defined in the Network Code need to be removed from that document.

**Scope**

The focus of the review group is essentially to develop amendments that properly set out the orderly demise of the Network Code. The object is to ensure business continuity irrespective of network ownership thereby minimising the impact on shippers and in turn customers. Clearly to do this the group will need to work closely with Ofgem with respect to development of the new transmission licensing arrangements, and Transco with respect to the development of the UNC and short-form codes. Proposed changes to the Network Code will need to be developed simultaneously with these developments. Specific work shall include:

- Identifying technical changes/generic changes to migrate the Network Code to the UNC.
- Identify sections of the Network Code that it is necessary to change to reflect the existence of Network Operators.
- Propose and develop business rules to accommodate the above.
- Identify the most effective contractual means for running-off/terminating the Network Code
- Develop and draft a Network Code transition document.

**Output**

As considered necessary, draft modifications setting out:

- Rules to be removed the the Network Code
- Rules to facilitate the run-off of the Network Code, e.g. transportation and energy imbalance, billing, credit and settlement, and completion of SPA transactions commenced prior to transfer of ownership to the new distribution network owners.
- Rules to ensure during the period where the Network Code co-exists with short-form codes and the UNC, rights and obligations across those documents and/or the transmission licences do not conflict.

**Duration** 4 months

**Process and Timescale**

Initially the review group's business would be managed concurrently with Transco's UNC Development forum. This is because whatever rules are to be included in the UNC are likely to provide the basis on which rules will cease to be included in the Network Code. Equally decisions on the form of the Network Code run-off arrangements are likely to dictate whether some rules need to be included in the UNC. Once the UNC Development Forum ceases to meet, the work of the DN Sales Review Group would continue to focus on finalising definition of appropriate draft modification proposals.

**Reporting Location**      NGT Offices, Buckingham Gate, London.

**Proposer's Representative**

Peter Bolitho (E.ON UK plc)

**Proposer**

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**Signature**

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