

**Draft Modification Report**  
**Extending established Uniform Network Code governance arrangements to**  
**include the Network Code Operations Reporting Manual referenced in Section**  
**V9.4**  
**Modification Reference Number 0053**  
Version 1.0

This Draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 9.6

**1. The Modification Proposal**

The Workstream clarified that the intent of the Proposal was to change the governance surrounding amendments to the Network Code Operations Reporting Manual, not to modify the subsequent notice process as presently defined in the UNC. The Workstream also debated the possibility of extending the Proposal such that changes to the Manual could be sought via the Modification Procedures, but the Proposer declined to amend the Proposal to incorporate this alternative approach.

The Proposal, as amended by the Proposer, is as follows:

A number of procedural documents which set out how Transporters and Users implement Uniform Network Code (UNC) obligations are not currently subject to full joint industry governance arrangements. This is despite the fact that many of the matters outlined in these documents can and do have a significant impact on Users' commercial positions and the quality of service Shippers-Suppliers are able to provide to their customers.

Although many of these documents are referred to in the UNC they are typically managed by the Transporters outside the UNC governance processes with only the Transporters being allowed to propose changes to the documents. Greater visibility of these documents is also desirable. Although updated documents are circulated and consulted on from time-to-time, these are not readily available to users; indeed new users or potential entrants would not necessarily be aware the documents exist to ask for them in the first place.

This Modification Proposal builds on the principles established by Modification 730 to the Network Code and proposes extending the UNC governance arrangements to include the Network Code Operations Reporting Manual which details a number of reports containing operational information administered by National Grid NTS.

With respect to the Network Code Operations Reporting Manual, it is proposed that the UNC be modified:

- to require publication of the Manual on a publicly accessible industry website, such as the Joint Office of Gas Transporters' website

- to require creation of a new version of the manual following any revision, with each version numbered sequentially, and with earlier versions continuing to be made available by the Transporters on request
- to enable Transporters or Users to propose revisions to the Manual by written notice to the Uniform Network Code Committee
- to prevent any revisions being made to the Manual without approval by majority vote of the UNC Committee unless the modification procedures were followed
- without fettering the discretion of the committee, to permit the UNC Committee if it considers it appropriate (again subject to a majority vote) to refer any proposed change to a relevant sub-committee, which would in turn be required to consider the matter and make recommendations to the UNC Committee
- in the event of the failure by the UNC Committee to come to a decision then the change should be subject to the UNC modification procedures unless the UNC Committee decides otherwise

Implementation of this Modification Proposal would allow Users as well as Transporters to instigate revisions to the Network Code Operations Reporting Manual. However the implementation of proposed revisions would only be allowed by first formally satisfying industry stakeholders. Such arrangements would be consistent with approval processes established in industry codes elsewhere. It is also consistent with Ofgem's principles of good governance set out in their June 2003 consultation document "Gas Retail Governance – Further Consultation" and in their decision letter regarding Modification 730 to the Network Code. The proposal is intended to provide an overall more efficient mechanism for managing change to the Manual but is not intended to preclude a UNC Party from using the standard modification procedures to raise a change should they so desire.

## **2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

Implementation of this Proposal would be expected to better facilitate the Relevant Objectives specified within the Gas Transporters Licence by improving transparency and accountability. It is a means of ensuring efficient consultation which will increase the certainty and confidence of all UNC parties, thereby facilitating competition between shippers and between suppliers. Further, increasing the efficiency and transparency of consultation will contribute to the promotion of efficiency in the implementation and administration of the UNC.

Implementation would also be expected to facilitate more efficient change management of processes associated with the UNC and therefore potentially facilitate the reduction of operating costs for the industry, consequently facilitating competition between shippers and between suppliers. Implementation would also reduce risk associated with insufficient visibility and governance of the Network Code Operations Reporting Manual, and any such reduction in risk would be expected to further facilitate the securing of effective competition.

**3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

Implementation of this Modification Proposal should not have any effect on security of supply or operation of the Total System.

**4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including**

**a) implications for operation of the System:**

Implementation of this Proposal would not affect operation of the System.

**b) development and capital cost and operating cost implications:**

No material development or capital cost implications have been identified.

**c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

No additional cost recovery mechanism is proposed.

**d) analysis of the consequences (if any) this proposal would have on price regulation:**

No such consequences have been identified.

**5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

Implementation may reduce the level of contractual risk for each Transporter by improving transparency and governance.

**6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

No systems implications have been identified.

**7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

Implementation could help reduce administrative costs and contractual risk for users by providing a mechanism which can help ensure that the Operations Reports are relevant to User needs. This proposal would also provide more robust governance, arrangements, which would improve transparency and accountability, give greater confidence and certainty in arrangements and facilitate competition between shippers and between suppliers.

**8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party**

Implementing the Modification Proposal would give non UNC parties an additional set of people who may be prepared to sponsor any changes to the Manual that non UNC parties believe would be desirable.

**9. Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal**

No such consequences have been identified.

**10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

- allows Users as well as Transporters to propose changes to the reports, which are produced primarily for the benefit of Users and hence potentially make the reports more relevant to User requirements.
- prevents changes being made to the reports without approval of the UNC Committee (except where the normal Modification Procedures are followed or material changes are referred to Ofgem under V9.4.5).
- facilitates efficient consultation which will increase the certainty and confidence of UNC parties in arrangements, leading to economic and efficient operation of the pipeline system and the securing of effective competition between shippers and suppliers
- Improved clarity and transparency of arrangements through publication of current version of the document on the industry website with appropriate version control
- contributes to the promotion of efficiency in the implementation and administration of the UNC

**Disadvantages**

- gives responsibility for certain decisions to the UNC Committee rather than a neutral party, such as Ofgem

**11. Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

No written representations have been received.

**12. The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation**

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation

**13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

**14. Programme for works required as a consequence of implementing the Modification Proposal**

No programme of works would be required as a consequence of implementing the Modification Proposal.

**15. Proposed implementation timetable (including timetable for any necessary information systems changes)**

It is proposed that implementation should be on the business day following receipt of direction from the Authority.

**16. Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified

**17. Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel**

## **19. Text**

The Proposer has not provided draft text.

The Governance Workstream suggested that when the legal text is drawn up, consideration should be given to the creation of a list of such documents and creation of a section detailing common governance arrangements. The Proposer acknowledged that this could be consistent with the promotion of efficiency in the administration of the Uniform Network Code. Views on such an approach would be appreciated as part of this consultation.

***Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report***

Subject Matter Expert sign off:

*I confirm that I have prepared this modification report in accordance with the Modification Rules.*

Signature:

Date:

Signed for and on behalf of Relevant Gas Transporters:

**Tim Davis**  
**Chief Executive, Joint Office of Gas Transporters**

Signature:

Date: