

CODE MODIFICATION PROPOSAL No. 0055

"Extending established Unified Network Code governance arrangements to include the System Management Principles"

Version 1.0

Date: 13/10/2005

Proposed Implementation Date:

Urgency: Non-Urgent

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)

This Proposal follows from Modification 730 to the former Network Code and therefore little further development is felt necessary. It is proposed that it should proceed directly to consultation.

Nature & Purpose of Proposal (including consequence of non implementation)

A number of procedural documents which set out how Transporters and Users implement Unified Network Code (UNC) obligations are not currently subject to 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 the quality of service shipper-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. 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 new users.

This proposal builds on the principles established by Modification 730 and 717 to the Network Code and proposes extending the Unified Network Code governance arrangements to include the System Management Principles.

The document would become part of the UNC Procedures. This proposal also requires the transporters to publish this Network Code Procedure on the Joint Office of Gas Transporters website. Any document revisions would be given a version number with earlier versions continuing to be made available.

From time-to-time Transporters would propose changes to a particular UNC Procedure. Such changes would be subject to approval by majority vote of the UNC Committee. The UNC Committee could if it considers it appropriate (again subject to a majority vote) refer any proposed change to a relevant sub-committee, who would in turn consider the matter and make recommendations to the UNC Committee. Transporters would also be required to bring any newly established UNC Procedures to the UNC Committee for approval.

Although under this proposal Transporters would continue to instigate all changes to Network Code Procedures, they would only be able to implement procedural changes 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 letters regarding Modification 730 and 717 to the Network Code.

This proposal will help ensure robust, co-ordinated development of UNC Procedures

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

We believe that this Proposal would, if implemented, better facilitate the Relevant Objectives specified within the Gas Transporters Licence by improving transparency and accountability. It also has the means of providing efficient consultation. These factors will contribute both to the efficient and economic operation by the gas transporters of their pipeline system and increase the certainty and confidence of all UNC parties, thereby facilitating competition between shippers and suppliers.

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

a. Proposed implementation timetable

As soon as is reasonably practicable.

b. Proposed legal text

c. Advantages of the Proposal

We believe, that if implemented this proposal would provide greater visibility of the UNC documents available and provide a clear path for any changes consistent with approval processes established in industry codes elsewhere.

d. Disadvantages of the Proposal

We are unaware of any disadvantages.

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

The implementation of this proposal should not have any effect on security of supply or the operation of the Total System

f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. implications for operation of the System

We do not believe this Proposal, if implemented, would adversely affect the operation of the System.

ii. development and capital cost and operating cost implications

We believe that this Proposal, if implemented, would facilitate more efficient change management of processes associated with the UNC and therefore reduce operating costs. This would also reduce risk associated with insufficient visibility and governance of the System Management Principles.

iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

We do not believe this Proposal, if implemented, requires the recovery of any additional costs.

iv. analysis of the consequences (if any) this proposal would have on price regulation

We do not believe this Proposal, if implemented, would have any consequences on price regulation.

g. 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

We believe that this proposal may help reduce the level of contractual risk for each Transporter by improving transparency and governance.

h. 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

We do not believe that there will be any impact on the UK Link System if this Proposal were to be implemented.

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

We believe that this proposal will reduce administrative costs for users by increasing visibility and awareness of process changes. This proposal would also significantly reduce the level of contractual risk for users by implementing more robust governance.

Code Concerned, sections and paragraphs

Proposer's Representative

Shelley Jones – Statoil (UK) Ltd

Proposer

Shelley Jones – Statoil (UK) Ltd

Signature

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