

CODE MODIFICATION PROPOSAL No. 0059

"Extending Established Uniform Network Code governance arrangements to include the
Network Code Validation Rules document referenced in Section M1.5.3"

Version 3.0

Date: 09/11/2005

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 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 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 replacing the existing UNC governance arrangements concerning the Network Code Validation Rules.

With respect to the Network Code Validation Rules, it is proposed that the UNC be modified:

- to require publication of the Network Code Validation Rules on a publicly accessible industry website, such as the Joint Office of Gas Transporters' website
- to require creation of a new version of the Network Code Validation Rules document 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 Network Code Validation Rules by written notice to the Uniform Network Code Committee
- to prevent any revisions being made to the Network Code Validation Rules without approval by majority vote of the UNC Committee
- 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 Validation Rules. However the implementation of proposed revisions would only be allowed by first formally satisfying industry takeholders. 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 to the Network Code.

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 is a means of ensuring efficient consultation which will increase the certainty and confidence of all UNC parties, thereby facilitating competition between shippers and suppliers. Further the change will contribute to the promotion of efficiency in the implementation and administration of the UNC.

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 practicable

b. Proposed legal text

When the legal text is drawn up it is suggested that consideration be given to the creation of Code procedures to manage the common governance of this and other similar documents, some of which were referenced in Modification 730, with the Network Code Validation Rules being suitably appended to the list. This would be consistent with the promotion of efficiency in the administration of the Uniform Network Code.

c. Advantages of the Proposal

- will allow Users to propose changes to the Network Code Validation Rules and hence make the Network Code Validation Rules more relevant to User requirements.

- will facilitate efficient consultation which will increase the certainty and confidence of UNC parties leading to the securing of effective competition between shippers and uppliers
- will contribute to the promotion of efficiency in the implementation and administration of the UNC

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 and industry fragmentation.

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 do not believe that this proposal will necessitate any non-trivial development or capital costs to be incurred.

We believe that this Proposal, if implemented, would facilitate more efficient change management of processes associated with the UNC and therefore reduce overall operating costs for the industry hence facilitating competition. This would also reduce risk associated with insufficient visibility and governance of the Network Code Validation Rules.

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 Systems 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 ensuring that the Network Code Validation Rules are relevant to User needs. This proposal would also significantly reduce the level of contractual risk for users by implementing more robust governance which will additionally facilitate competition between shippers and suppliers through greater transparency and accountability.

Code Concerned, sections and paragraphs

Primarily UNC Transportation Principle Document, Section M 1.5.3 - dependent on how the legal text is written

Proposer's Representative

Christiane Sykes (E.ON Uk plc)

Proposer

Alex Travell (E.ON Uk plc)

Signature

.....