

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

Modification Reference Number 0059

Version 0.1

This Workstream Report records the consensus reached by the Governance Workstream. The Workstream considered that, subject to some revisions to clarify the Proposer's intent, this Proposal is sufficiently developed to proceed to consultation.

1. The Modification Proposal

The Workstream clarified that the intent of the Proposal was to change the governance surrounding amendments to the UNC Validation Rules, 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 Rules 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 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 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 to the Network Code.

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 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

The implementation of this proposal should not have any effect on security of supply or the operation of the Total System. Establishing a consistent process to be followed before any change is made to the Credit Rules operated by each Transporter would be expected to help avoid industry fragmentation.

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 the 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 on price regulation 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 help 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 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.

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 implications 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 Network Code Validation Rules and hence make the Network Code Validation Rules more relevant to User requirements.
- prevents changes being made to the reports without either approval of the UNC Committee or the Modification Procedures being followed
- facilitates efficient consultation which will increase the certainty and confidence of UNC parties leading to the securing of effective competition between shippers and suppliers
- contributes to the promotion of efficiency in the implementation and administration of the UNC

Disadvantages

- gives responsibility for 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. Text

The Proposer has not provided draft 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.