

**CODE MODIFICATION PROPOSAL No. 0084**  
**"Removal of the SME Role from the UNC Modification Rules"**  
Version 2.0

**Date:** 10/05/2006

**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](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf))

The Proposer recommends that this Proposal should go to direct to consultation.

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

*Where capitalised words and phrases are used within this Modification Proposal, those words and phrases shall usually have the meaning given within the Uniform Network Code (unless they are otherwise defined in this Modification Report). Key UNC defined terms used in this Modification Proposal are highlighted by an asterisk (\*) when first used. This Modification Proposal, as with all Modification Proposals, should be read in conjunction with the prevailing UNC.*

Over recent months the Uniform Network Code (UNC)\* Governance Workstream\* have explored changes to the prevailing UNC Modification Rules\* that may go some way in streamlining UNC Modification processes. The Governance Workstream noted that a principle area through which such streamlining may be achieved was the removal of the role of the Subject Matter Expert\* (SME) from the UNC Modification Rules, with the Joint Office, on behalf of the Transporters, undertaking the administrative role presently carried out by the SME and the Workstreams providing expert input. Through streamlining the Modification Process, implementation of this Modification Proposal may better facilitate the Relevant Objective specified in Standard Special Condition A11.1 (f), *"the promotion of efficiency in the administration of the network code and/or the uniform network code."*

The present Modification Rules provide for a draft Modification Report\* to be produced when the Modification Panel\* (the Panel) determines that a Modification Proposal should proceed to the Consultation Phase. Compilation of the draft Modification Report is the responsibility of a SME, and the Modification Rules require this Modification Report to be produced within 15 business days.

The Panel has its first opportunity to determine whether a Proposal should proceed to consultation, or to go to a Workstream for further development, when the Proposal is raised and consequently presented to the Panel for consideration. As outlined above, if the Panel determines that the Proposal is sufficiently developed to proceed to consultation, a SME produces a draft Modification Report, which is then issued for consultation. It is not clear that SME involvement at this stage is either economic or

efficient, both in terms of using the SME resource and the time potentially added to the modification process.

**Panel Determination, or Proposers recommendation, - to development;-** If the Panel does not initially determine that a Modification Proposal should proceed to the Consultation Phase, the Proposal is sent by the Panel for development in an appropriate Workstream or Development Work Group\*. A Workstream/Work Group Report\* is subsequently produced for the Panel, and the Panel then considers, in light of this report, whether the Proposal is sufficiently developed to justify it proceeding to the consultation phase.

We suggest that it would be more economic and efficient for this Work Group Report to form the draft Modification Report, which is issued for consultation (as opposed to a separate draft Modification Report being prepared by a SME).

**Panel Determination – direct to Consultation; -** Where the Panel considers that the Proposal is sufficiently developed to proceed to consultation, it should be sufficient for the Proposal itself to form the draft Modification Report to be issued for consultation purposes. For consistency, in respect of attaining a comparable level of detail as achieved through Proposals, which have been developed through a Workstream or Development Work Group; and in order to ensure that such a report provides the appropriate level of information through which a meaningful consultation can proceed, National Grid NTS considers that the required content of the Proposal should address the provisions outlined in UNC Modification Rules section 8.6 – Development Workgroup Report, where relevant to the Proposal and/or to the proposer. National Grid NTS believes that introduction of this process would shorten the time between the Panel determination and a Proposal being issued for consultation – consultation would generally be expected to commence on the business day following the relevant Panel meeting although it is proposed that three business days are allowed within the Modification Rules, thereby allowing for exceptional circumstances.

**Consultation period; -** No change to the established consultation period is envisaged in this Proposal, which would remain at fifteen Business Days\*. Since the main Modification Panel is held on the third Thursday of each month, this could mean that, where the Panel determines that a Proposal is sufficiently developed to proceed to consultation, the consultation period would be completed before the next main Panel meeting.

**The Provision of Legal text;-** We recognise that the proposed three business day timescale, between Panel determination and the Proposal being sent to consultation, may not be consistent with the timescales required to produce formal legal text, therefore on the perceived rare occasion where the Panel believes that a Modification Proposal is sufficiently developed, but still considers that its consultation would benefit from the provision of formal legal text, the production of such text will be prepared, and incorporated in the draft Modification Report, for determination at the following Panel meeting (providing the meeting convenes in a duration which is greater than a minimum of 15 business day time period). National Grid NTS believes that this is consistent with the Ofgem decision letter for Modification Proposal UNC0048 which stated that “*Ofgem would anticipate that legal text will generally be*

*requested for those proposals which are not yet sufficiently clear to proceed to consultation as drafted, and will instead be sent for further development. It is also anticipated that GT representatives in particular will feed into this development any issues, which need addressing in order to produce appropriate and robust legal text. Ofgem therefore considers that the timetable will ordinarily allow at least one month of development, then the subsequent fifteen days for the production of the DMR for the responsible lawyer(s) to first familiarise themselves with the proposal then produce the required text. In instances where the modification panel consider the proposal is sufficiently clear for it to be sent to consultation but also requires legal text, it has discretion to determine a longer period for the production of a DMR, when appropriate.”*

Under prevailing arrangements requests for the production of formal legal text, on most occasions, can be provided within the prescribed timescales, however there are instances where the Transporter, responsible for the provision of the formal legal text, is unable to draft the text as a result of the Proposal not being sufficiently clear or complete, in these instances there is currently no formal means by which the Transporter may inform the Panel of such issues.

The proposed removal of the SME role seeks to introduce greater streamlining of the Modification Rules process. We believe that with the introduction of greater streamlining it may be prudent to ensure that greater controls are introduced with regards to the production of formal legal text within such prescribed timescales. National Grid NTS propose that, where the Transporter is unable to draft text, it should be able to submit a written report to the Panel, setting out the reasons why it has been unable to complete such a request. On receipt of such a report the Panel shall reconsider their previous decision made under provision MR 7.3. The Panel shall determine whether or not the Proposal may progress through to consultation. Where it is determined that the Proposal shall progress to consultation this will be in the absence of legal text. Where it is determined that the Proposal shall not progress to consultation it shall be sent back to the Workstream/Workgroup for further development in accordance with MR 7.5.

**Suggested/Formal Legal Text;** - In the interest of clarity where indicative text (suggested) has been provided by the Proposer as part of either a User or Transporter Proposal, this should not be considered as ‘formal’ text when preparing the draft Modification Report for consultation. Where the Panel determines that text is required, for the draft Modification Report, the Panel will request the provision of formal text under the prescribed processes such text will be subject to the provision timescales detailed above.

National Grid NTS believes that the incorporation of ‘suggested text’ within a Proposal, in accordance with MR 6.2(k), should not also be considered as the formal text required to be prepared for the purposes of provision MR 9.8.1(b), unless clearly stated by a Transporter that is the Proposer of the Modification.

**Workstream consideration of concerns expressed by respondents which have not been addressed through other representations or as part of the final Modification Report;** - Attendees at the Governance Workstream have suggested that expert input and views in response to representations may be better provided

through industry fora, with all interested parties able to contribute as they see fit and discussion summarised in the final Modification Report. In addition, the present practice of seeking to summarise the content of representations received would be streamlined, such that only a high level summary of views expressed would be recorded. This would be supplemented through the existing practise of attaching all representations to the final Modification Report, as set out under UNC Modification Rules - 9.5.1 b (ii). National Grid NTS proposes that the existing provisions in the Modification Rules whereby two Business Days are allowed for Panel Members to comment on the adequacy of treatment of representations in the Modification Report is removed, as it would no longer be required.

This Proposal seeks to introduce changes to the modification process, which are consistent with the views expressed by the Governance Workstream, regarding appropriate expert input into the development and consultation process. We believe that this may be achieved by proposing that the initial drafting of the final Modification Report is considered by the relevant Workstream or Work Group, and that relevant views expressed during these meetings are reflected in a final Modification Report, which is subsequently submitted to the Panel for recommendation.

Where a representation to a Proposal provides relevant, but non-attributed, information regarding any implications that may arise through the implementation of a Proposal, and where such representations have not been addressed through other responses to the same Proposal, we propose that the such information is also considered by the relevant Workstream/Work Group with any relevant views expressed reflected in the final Modification Report for consideration by the Modification Panel. It is proposed that the inclusion of such workstream/workgroup views into the final Modification Report are prepared within 3 business days and submitted to the next Modification Panel for recommendation.

National Grid NTS proposes that within 5 business days after closeout for representations the Transporters will prepare an initial draft of the final Modification Report, including any relevant implications identified by respondents that have not been addressed through other representations. This report will be submitted to the relevant Workstream/Work Group for views.

Although we recognise that requiring a review of an initial draft of the final Modification Report, by the Workstream/Work Group, introduces a further step in respect of the Modification process, National Grid NTS believes that, if implemented, this change will provide a more meaningful, considered and balanced report for assessment by both the Panel and the Authority. We believe that this would clearly demonstrate an improvement in relation to Standard Special Condition A11 (f) of the Gas Transporter Licence.

**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**

Implementation of this Modification Proposal would better facilitate the achievement of the Relevant Objective specified in Standard Special Condition A11.2 through

development of the mechanism by which any of the Uniform Network Code and each of the Network Codes prepared by each Relevant Transporter may be modified.

Through the removal of the role of SME the Proposal seeks to streamline the Modification Process whilst at the same time adding additional industry involvement in the assessment of issues raised in responses. In this way implementation of this Modification Proposal would also better facilitate the Relevant Objective specified in Standard Special Condition A11.1 (f), *“the promotion of efficiency in the administration of the network code and/or the uniform network code.”*

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

**a. Proposed implementation timetable**

National Grid NTS believes that this Proposal should be implemented with effect from 06:00 on the first third Thursday of a month following direction from Ofgem. This would mean that the procedures introduced by the Modification would be followed for the Panel meeting anticipated to be held on that day. National Grid NTS also believe that it would be appropriate to introduce transitional provisions into the UNC such that any Modification Proposals, which had entered the Consultation Phase prior to this Modification Proposal being implemented, should be treated in line with the existing provisions of the UNC.

**b. Suggested legal text**

**c. Advantages of the Proposal**

Streamlines the Modification process  
Proposes a more efficient process through which the full consideration of Proposal may be achieved.

**d. Disadvantages of the Proposal**

Non identified.

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

No such implications are anticipated.

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

**i. implications for operation of the System**

The Proposed changes will require the Joint Office to make minor amendments to its processes.

**ii. development and capital cost and operating cost implications**

It is not anticipated that this Proposal will result in any increased costs.

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

It is not anticipated that this Proposal will result in any increased costs. However any possible cost associated with changes to Joint Office processes will be recovered through all Transporters.

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

No such consequences are anticipated.

**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**

No such consequences are anticipated.

**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**

No system implications are anticipated.

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

No such implications are anticipated.

**Code Concerned, sections and paragraphs**

Uniform Network Code - Binder 1. Section 3 - Modification Rules sections 9 and 10.

**Proposer's Representative**

Ritchard Hewitt (National Grid NTS)

**Proposer**

Richard Court (National Grid NTS)

**Signature**

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