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The Joint Office, Relevant Gas
Transporters and other interested
parties

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Dear Colleague,

Authority view regarding Uniform Network Code (UNC) Modification Proposal 104 and the scope of the UNC

UNC Modification Proposal 104 (the proposal) seeks the daily publication, on National Grid Gas NTS's (NGG NTS) website, of the physical gas in storage levels allocated to LNG Importation Users at the Isle of Grain.

At the UNC Modification Panel (the Panel) on 17 July members considered the LNG importation facility to be upstream of the NTS and questioned whether it could fall under the scope of the UNC. The Panel decided to seek a view from the Authority regarding the proposal and whether the information proposed for release would fall within the scope of the UNC¹.

Ofgem has considered the question raised by the Panel in relation to whether the proposal as defined is within the scope of the UNC. We are of the view that the proposal does fall within the scope of the UNC and set out our reasons below.

It is important to note that this letter does not fetter the Authority's discretion. It may be the case that as the proposal develops our view on these issues may change. This therefore should be considered as an initial view on the question of the scope of the proposal. For the avoidance of doubt, in considering this request from the Panel, Ofgem has not made an assessment of the merits of the proposal.

The requirements on NGG NTS as a gas transporter

Under the provisions of the Gas Act 1986 (the Gas Act), a gas transporter is defined as the holder of a licence regarding the conveyance of gas through pipes and an obligation is placed upon gas transporters to comply with the conditions contained within their gas transporters licence².

¹ In accordance with clause 12.8.1 of the UNC Modification Rules.

² Section 7(1) of the Gas Act

Further to this obligation, Standard Special Condition A11³ of NGG NTS's gas transporters licence requires that it must establish transportation arrangements pursuant to the UNC which facilitate the efficient and economic operation of the NTS⁴.

Ofgem view

Given the provisions of the gas transporters licence detailed above, our assessment is that the proposal does fall within the scope of the UNC.

We note that, as part of NGG NTS's obligation to ensure that it operates the NTS economically and efficiently and under the provisions of the UNC and its safety case, NGG NTS has an obligation to maintain the NTS within safe operating limits⁵. NGG NTS can meet this obligation through the use of operating margins ('OM') gas as and when required.

In order to carry out its role as system operator, and to enable it to comply with the provisions of its safety case, NGG NTS contracts with parties for different services. An example of such a contract is where NGG NTS contracts with National Grid Grain regarding the use of OM gas in order to help maintain the system within safe operating limits. NGG NTS can meet this obligation through the use of operating margins (OM) gas as and when it considers this to be necessary⁶.

Finally, as noted earlier, in making these considerations, Ofgem has not made an assessment of the merits of the proposal. Further, nothing in this letter in any way fetters the discretion of the Authority in respect of the proposal.

If you have any further queries in relation to the issues raised in this letter, please feel free to contact Hannah Cook on 020 7901 7444.

Yours sincerely



Sonia Brown
Director, Markets

³ Standard Special Condition A11 "Network Code and Uniform Network Code".

⁴ For the purposes of Standard Special Condition A11, "transportation arrangements" include arrangements whereby gas shippers and transporters may have gas introduced into, conveyed by means of and taken out of the NTS, including where such arrangements involve the use of facilities for storage of gas (that is, the storage of gas in either a gaseous or liquid state in facilities which are connected (directly or indirectly) to the NTS), Standard Special Condition A3 "Definitions and Interpretation".

⁵ Under regulation 3 of the Gas Safety Management Regulations 1996 SI 1996/551 (GSMR), any person conveying gas on the NTS has an obligation to prepare a safety case which has been accepted by the Health & Safety Executive (HSE). Further to this, under the provisions of its safety case NGG NTS has an obligation to maintain the system within safe operating limits.

⁶ Operational margins (OM) gas are one tool used by NGG NTS to maintain the pressure of the NTS within safe operating limits following sudden (unexpected) changes in supply or demand that cannot be met through balancing trades on the OCM. As a result, it is used as a way of meeting a need (either nationally or locationally) to maintain network pressures until other balancing measures are introduced.