

Modification proposal:	Uniform Network Code (UNC) 142: Extension of the Current Sunset Clauses for Registration of Capacity at NTS Exit Points (UNC 142)		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	24 May 2007	Implementation Date:	01 June 2007

Background to the modification proposal

On 24 June 2005 the Authority announced the delay to the potential implementation of enduring offtake arrangements until September 2007 for release of NTS offtake capacity rights from Gas Year 2010/11. As a result of this decision, transitional offtake arrangements needed to be developed to govern the allocation of offtake capacity to shippers and GDNs for the period 1 September 2008 through to 30 September 2010. These arrangements were subsequently approved in January 2006 through the implementation of UNC Modification Proposal 0046³. Under this proposal the transitional offtake arrangements are scheduled to expire on 30 September 2010.

On 5 April 2007 the Authority directed the implementation UNC Modification Proposal 0116V⁴ which provided for the introduction of enduring offtake arrangements. In its decision the Authority recommended that the implementation of the enduring offtake arrangements be delayed by one year until 1 April 2008.

As a consequence of this, offtake arrangements now need to be established for the period 1 October 2010 to 30 September 2011.

The modification proposal

UNC Modification Proposal 142 (UNC 142) proposes the following changes to the UNC:

1. That the current arrangements for Firm Capacity Applications be extended to continue until 30 September 2011;
2. That the current NTS Offtake Capacity Registration Process is extended over the period of the Transitional Arrangements such that Distribution Network operator (DNO) Users are able to apply on an annual basis for initial amounts of NTS Offtake Capacity at each of its NTS/LDZ offtakes beyond 30 September 2010 to 30 September 2011; and
3. That amendments to previously allocated NTS Offtake Capacity amounts continue on the same basis as the current arrangements over the transitional period.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

²This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ "Modification proposal 0046 'Extension of the sunset clauses for registration of capacity at NTS exit points'", Ofgem, 20 January 2006

⁴ "Uniform Network Code (UNC): Reform of the NTS offtake arrangements (UNC 0116V, 0116BV, 0116CVV, 0116VD and 0116A)", Ofgem, 5 April 2007

The proposer considers that the implementation of this Modification Proposal would better facilitate achievement of each of the Relevant Objectives in Standard Special Condition A11, paragraphs 1(a) – 1(c) respectively.

UNC Panel⁵ recommendation

At the Modification Panel meeting held on 17 May 2007, of the 10 Voting Members present, capable of casting 10 votes, 9 votes were cast in favour of implementing this Modification Proposal. Consequently, the Panel recommended implementation of UNC 142.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 17 May 2007. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR⁶. The Authority has concluded that:

- 1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC⁷; and**
- 2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁸.**

Reasons for the Authority's decision

Ofgem agrees with the proposer and the majority of respondents to the consultation document that this Modification Proposal better facilitates achievement of each of the Relevant Objectives in Standard Special Condition A11, paragraphs 1(a) and 1(b) respectively.

Ofgem considers that by enabling GDNs to register their NTS/LDZ Offtake Capacity requirements beyond September 2010 this should allow National Grid NTS to undertake more informed investment decisions and thereby better facilitates the efficient and economic operation of the NTS pipeline system (paragraph 1 (a)).

In addition, Ofgem agrees that the proposal should enable National Grid NTS and GDNs to formally confirm NTS/LDZ Offtake Capacity levels which in turn should support their respective investment decisions beyond September 2010, thereby better facilitating the co-ordinated, efficient and economic operation of the combined pipe-line system (paragraph 1(b)).

Decision notice

⁵ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

⁶ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

⁷ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547

⁸The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC 142: Extension of the Current Sunset Clauses for Registration of Capacity at NTS Exit Points be made.

A handwritten signature in black ink, appearing to read 'R Hull', written in a cursive style.

Robert Hull

Director of Transmission

Signed on behalf of the Authority and authorised for that purpose.