

Modification proposal:	Uniform Network Code (UNC) 165V: Change to Measurement Provisions Change Process (UNC 165V)		
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:	29 January 2008	Implementation Date:	To be confirmed by the Joint Office.

Background to the modification proposal

The Network Entry Agreement (NEA) contains the provisions for gas entry onto the network and the local operating procedures that govern the System Entry Point to which gas is delivered.

Similarly the Network Exit Agreement (NExA) contains provisions and operating procedures that relate to the offtake of gas from the National Transmission System (NTS) and/or the Distribution Network at the System Exit points.

Under Sections I2.2, J5.2 and J6.4 of the Uniform Network Code (UNC) alteration to any of the provisions or procedures set out in both the NEA and NExA may only be made with written consent of all registered Users at that System Point or by proposing a UNC Modification.

The Measurement Provisions sections of both the NEA and NExA contain technical details of the metering, sampling, analysis and other equipment required at the System Point.

Currently, should the contractual capacity at a System Point be increased beyond the measuring capability of the metering equipment at that point then a UNC modification must be raised and approved prior to any physical work being undertaken.

Since August 1996 there have been three modifications that have been raised to facilitate changes to the Measurement Provisions in different NEAs which increased the Permitted Ranges for metering and which updated references to metering standards³.

The proposer believes that current procedures to facilitate a change to the measuring provisions of the NEA or NExA are too onerous on Users and administratively burdensome to the Network operator. Also the proposer notes that the number of Exit and Entry points with multiple Users are likely to increase and the sites themselves expand. As such the proposer considers there are likely to be more modifications of this type being raised leading to congestion of the modification process.

The modification proposal

The modification proposal seeks to introduce new provisions into the UNC that will allow the Permitted Ranges within the Measurement Provisions section of the NEA or NExA to be increased with only the agreement of the Relevant Transporter and either the Delivery Facility Operator, Connected System Operator, Storage Operator or Gas

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.

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

³ UNC93: Amendment of Interconnector UK's Meter Flow rate; UNC110: amendment of PX's Network Entry Agreement; UNC 153: Amendment of Interconnector UK's Network Entry Provisions

Consumer as appropriate. If agreement is obtained then the relevant transporters will notify the relevant Users at the site of the proposed changes, allowing them five business days to make representations.

Where one or more relevant Users object to the proposed change or if there is no agreement between the NEA or NExA parties then the changes will be progressed through the existing modification process.

UNC Panel⁴ recommendation

At the modification Panel meeting held on 20 December 2007, of the 9 Voting Members present, capable of casting 10 votes, 10 votes were cast in favour of implementing this modification proposal. Therefore the panel recommends implementation of this proposal.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 20 December 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 FMR⁵. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC⁶; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁷.

Reasons for the Authority's decision

Having considered this proposal and the representations received from the industry it is Ofgem's view that this proposal would better facilitate the relevant objectives as set out in Standard Special Condition A11 of the Gas Transporter Licence.

The proposal seeks to rationalise and expedite the process for approving changes to the Permitted Ranges section of the Measuring Provisions of the NEA and the NExA. The proposer believes this new procedure would go some way to mitigating the risk of the System Point measuring equipment not having the capability to deal with any increase in throughput which may in turn lead to gas being stranded offshore.

Ofgem notes that the current change procedure is essentially a single tier process where a proposed change is progressed through the UNC modification process. The proposer states that this process has been used as it is the best way of managing the practical issues of obtaining multiple consents from a large number of Users.

⁴ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

⁵ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

⁶ 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

⁷ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

Nine (9) representations were received to this proposal with seven in support and two not in support. All those in support of the proposal felt that it would better facilitate one of the relevant objectives.

Those supporting the proposal agreed that the proposal introduced a route by which the number of potential 'housekeeping' modifications would be significantly reduced, the number of parties involved is reduced and the consultation period is reduced. Supporters of the proposal commented that it would promote efficiency in the implementation and administration of the network code and/or the UNC, thus better facilitating relevant objective (f) of Standard Special Condition A11.

Ofgem notes that the proposal introduces a two-tier change process whereby the first stage will involve only the NEA and NExA parties. Then a second stage would involve seeking consent, within five (5) business days, from registered Users only at that system point at the time of being notified of the proposed change. It is Ofgem's view that where a non contentious change is being proposed the time involved to effect the change will be significantly shorter than the time required to progress the change through the UNC modification procedure. Therefore Ofgem agrees with those respondents that this proposal better facilitates relevant objective (f) of Standard Special Condition A11.

Two respondents did not support the proposal. One respondent believed that the proposal was detrimental and anti-competitive to non-specific system entry point Users. It is their view that a potential change to restrict the opportunity for all Users to present their views on a proposed change would not be in the best interest of every market participant under the UNC especially should a contentious change be proposed.

The other respondent is generally supportive of arrangements that seek to simplify processes but is of the view that the legal text does not adequately meet the intent of the proposal because it was overly restrictive in that only those Users registered at that System Point can effect a change.

The opportunity for the modification involving more contentious changes to be progressed via the UNC modification route still remains and it is Ofgem's view that the UNC modification procedure provides adequate opportunity for non relevant parties to comment on proposals going forward.

Further, adoption of this process for dealing with non-contentious changes is in keeping with the principles of better regulation. Ofgem is fully supportive of procedures that are proportional to the issues at hand and that reduce the need for unnecessary regulatory oversight.

Notwithstanding the views expressed above, Ofgem recognises that there maybe transparency issues associated with adopting the process set out in this proposal to the extent that changes to Permitted Ranges are not visible. Ofgem would note that transparency in this area is potentially important in order to enable shippers to understand the capabilities of the NTS at entry and exit points. Ofgem would note that Users have the ability to raise a further UNC modification to address these issues to the extent they arise.

Decision notice

Considering the points discussed above and in accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC 165V: Change to measurement Provisions Change Process be made.



Mark Feather
Director Industry Codes and Licensing

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