

**CODE MODIFICATION PROPOSAL No 0196**  
**Alterations to shipper penalties for end user failure to interrupt**  
**Version 2.0**

**Date:** 21/02/2008

**Proposed Implementation Date:**

**Urgency:** Non Urgent

**1 The Modification Proposal**

**a) Nature and Purpose of this Proposal**

The Uniform Network Code, Transportation Principle Document Section G, 6.9.6 to 6.9.9 states that if on a Users Portfolio the number of failures to interrupt exceeds 5 in any one gas year, then all the Interruptible Supply Points of which the User is the Registered User will be redesignated as Firm, save where the Firm Transportation Requirement would not be satisfied and in such cases only the revised Firm Transportation Charges would be applied. The code also states that the above will not apply where the User demonstrates to the transporters' reasonable satisfaction that the User had taken all reasonable steps to comply with the requirement to Interrupt and that the failure to Interrupt occurred despite the taking of such steps.

Whilst failure to Interrupt is extremely serious, the proposer believes that this sanction should be removed from the UNC for two principle reasons:

1. We believe that the consequences to the User of enforcing this section of the UNC are disproportionate. If there is a HSE issue with a particular site failing to interrupt, the GDNs have the right to physically isolate the Supply Point, which we fully support.
2. Under 6.9.9, we do not believe that there is enough clarity in the term "reasonable steps to comply with the requirement to Interrupt". Whilst the proposer believes that the operational procedures in place are to a level that would demonstrate "reasonable steps to comply with the requirement to Interrupt", Users cannot be confident that the Transporter will necessarily concur with their objection.

For the avoidance of doubt, the proposer believes that the sanction and penalty for the individual Supply Points that do fail to Interrupt should remain in place. The proposer also believes that it is correct that those sites failing to interrupt should become firm.

The proposer is proposing to remove Sections 6.9.6, 6.9.7 and 6.9.8, from the Transportation Principle Document Section G of the Network Code and any references to them. **He is also proposing that the same sections should be removed from the UNC Transition Document Part IIC, which, as a result of the implementation of MOD 90, is where they will remain in force until October 2011.**

**b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)**

N/A

**c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**

The proposer believes that this is developed sufficiently for this modification to proceed directly to consultation.

**2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives**

This Proposal would better facilitate the achievement of SSpCA11(d) of the Transporter's Licence. By removing the "5 strikes rule" Users would not be disproportionately penalised for a failure by a customer to interrupt. Converting a User's entire portfolio to firm undermines a User's competitive position and therefore runs contrary to the Transporter's obligation to facilitate the securing of effective competition.

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

This does not affect the security of supply, the operation of the Total System nor industry fragmentation. Transporters are able to isolate customers which imperil system security through continued consumption of gas following the provision of an Interruption Notice.

**4 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:**

**a) The implications for operation of the System:**

None

**b) The development and capital cost and operating cost implications:**

None

**c) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:**

N/A

**d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

None

- 5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)**

N/A

- 6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users**

Minimal

- 7 The implications for Users of implementing the Modification Proposal, including:**

- a) The administrative and operational implications (including impact upon manual processes and procedures)**

Minimal

- b) The development and capital cost and operating cost implications**

N/A

- c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

The risk, albeit remote, would be reduced, but proportional.

- 8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)**

None

- 9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters**

None

- 10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above**

**Advantages**

The proposer believes that this would remove an unduly onerous risk from the Shipping/Supplier Community and ensure that competition is secured.

Properly applies a penalty to the User for failing to secure interruption in the event that this is the case.

Removes the uncertainty surrounding the need to justify that reasonable steps had been taken in the event that a customer had failed to interrupt.

**Disadvantages**

The proposer does not believe that there are any disadvantages as a result of this modification.

**11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)**

N/A

**12 Detail of all other representations received and considered by the Proposer**

N/A

**13 Any other matter the Proposer considers needs to be addressed**

N/A

**14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal**

This is a relatively simple change and the proposer believes that this could be pushed through without any undue delay.

**15 Comments on Suggested Text**

**16 Suggested Text**

**Code Concerned, sections and paragraphs**

Uniform Network Code

Transportation Principal Document

**Section(s)** Transportation Principle Document Section G, 6.9 Failure to Interrupt

**Proposer's Representative**

Richard Dutton, Total Gas & Power Ltd

**Proposer**

Richard Dutton, Total Gas & Power Ltd