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**Modification Proposal 0213V  
Introduction of User Pays Governance Arrangements into the UNC**

Dear John

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

National Grid Transmission supports this Modification Proposal.

We agree with the proposer that this Modification Proposal should be implemented to give clarity to the existing Modification Rules for the way in which the “user pays” regime, introduced as part of the Gas Distribution Price Control Review, should be applied to proposed changes.

**2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

***Standard Special Condition A11.1 (c) as far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee’s obligations under this licence;***

National Grid Transmission agrees with the Proposer that implementation of this Modification Proposal would provide a workable governance process to support the application of the “user pays” approach.

***Standard Special Condition A11.1 (f): so far as is consistent with sub-paragraphs (a) and (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;***

National Grid Transmission agrees with the Proposer that implementation of this Modification Proposal would provide a clear governance route to be followed by UNC Proposals falling within the “user pays” framework.

However, we are concerned that Business Rule 18 and the associated legal text B 1.7.14 may lead to inappropriate allocation of costs. This issue in the proposal was discussed during its development and we respect the Proposer’s decision to propose the current way forward. We believe however that allocating the incurred Implementation Costs for non-implemented proposals to those parties specified by the Proposer in the original proposal potentially results in costs being recovered from Shippers and Transporters other than the proposer despite these parties being opposed to the proposal.

During the Review Group discussions National Grid Transmission made its opinions clear that, where the costs of non-implemented proposals were significant, applying such costs to the Proposer would be more consistent with the following relevant objectives:

- A11. 1(d) Promoting competition between shippers and between suppliers,
- A11. 1(c) Efficient discharge of National Grid Transmission's obligations under its licence, and
- A11. 1(f) the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

We also believe such cost recovery would add further rigour to the process of raising proposals. Therefore, whilst we continue to support implementation of this proposal, if future events demonstrate inefficient allocation of cost in relation to non-implemented proposals then National Grid Transmission would seek to work with shippers and transporters to amend this aspect of the Proposal.

## **10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

### **Advantages**

National Grid Transmission agrees that additional clarity in the area of the governance framework for cost apportionment should prove beneficial to all those who are affected by such arrangements.

### **Disadvantages**

National Grid Transmission agrees with the proposer that the increased complexity may slow down the Modification Process. However, we believe the increase emphasis on costs and cost apportionment would lead to greater diligence regarding the development of proposals.

We also believe that the current Business Rule 18 and associated legal text may lead to inefficient allocation of Implementation Costs for non-implemented proposals.

As detailed above if future events demonstrate that application of business rule 18 leads to inefficient allocation of cost in relation to non-implemented proposals then National Grid Transmission would seek to work with shippers and transporters to amend this aspect of the Proposal

Please let me know if you require any further information to enable preparation of the Final Modification Report.

Yours sincerely

**Beverley Viney**