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Re: Modification Proposal 0213 '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 Gas plc (Distribution) (NGD) would like to offer its support for the implementation of this proposal on the basis that it promotes efficiency in the implementation and administration of the uniform network code. This is consistent with our licence obligations laid down in generally in Standard Special Condition A11, more specifically condition A11.1.(f) of the relevant objectives.

This proposal sets out a revision to the governance process to allow for the inclusion of additional steps and transporter obligations to provide industry participants with information on costs that would be incurred should a modification proposal be implemented.

NGD have been involved in the development of these rules from a very early stage. We believe that the proposed process amendments to the modification rules should allow cost information to be made available sufficiently early in the process to allow impacted parties to take a view, not only on the relative merits of the contractual elements of the proposal, but also on the costs associated with implementation and operation of any new service line. This should ensure that service recipients can undertake cost / benefit analysis at an individual level to inform their response to the consultation phase. The full cost disclosure resulting from the revised process also allows all parties to see and assess the true cost of implementing UNC change.

As stated previously, these proposed rule changes provide additional process steps for the inclusion of cost information into the modification process. However, what they do not do is set out how costs should be distributed between parties or individuals. These associated arrangements are set out in the guidelines document which accompanies this proposal. At this stage we see this document very much at the early stage of its evolution and we expect considerable debate concerning its application in the development phase of individual proposals while the parties explore funding options. To help navigate this phase, we believe the option for the panel to request the transporters to seek an early view from Ofgem, with respect to the funding options; will prove to be an essential and frequently used process step. However, overall, despite the increased governance and the lengthening of timescales that may ensue, the early input of cost information and a view on funding allocation should enable parties to go into the contract development phase of a proposal better informed and should result in a more thorough end-to-end modification process.

Please contact Alan Raper on 01926 653559 (alan.raper@uk.ngrid.com) should you require any further information with respect to the above representation.

Yours sincerely

Richard Court
Customer Contracts and Regulation Manager