

Modification proposal:	Uniform Network Code (UNC) 250: Introduction of the Code Contingency Guidelines document (UNC250)		
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:	13 October 2009	Implementation Date:	To be confirmed by the Joint Office

Background to the modification proposal

On 22 October 2007, National Grid National Transmission System (NG NTS) suspended UNC User access to the Gemini system following a series of errors which occurred earlier that day. Code contingency arrangements were initiated, requiring Users to fax nominations directly to NG NTS to upload manually onto the Gemini System. These arrangements remained in place until User access was restored on 26 October 2007.

This suspension highlighted to the industry the importance of having clear, accessible, well understood and tested contingency arrangements that reflect the differing needs and priorities of both Users and transporters. Prevailing contingency arrangements are provided both as part of the UK link Manual and the separate Code Contingency Manual. These documents provide the industry with the contingency procedures, processes and framework of the roles and responsibilities required to be performed during a Code Contingency.

UNC review group 217 was established in order to review the prevailing Gemini contingency procedures and to recommend improvements where identified. However, during discussions of that review group a consensus emerged that it would be beneficial to have all UK Link contingency procedures within a single consolidated guidelines document³. At present these documents are available separately in hard copy and on the password protected area of the Xoserve website.

The modification proposal

This modification seeks to implement the main recommendation of the review group 217, namely to incorporate all code contingency communication processes and procedural documentation into a single, consolidated document.

However, NG NTS does not propose to adopt the review group's recommendation on how the document should be governed. Whereas the review group suggested that the document should become a UNC Related Document⁴, allowing changes to be made by majority agreement of the UNC Committee, NG NTS considers that this would represent dual governance as many of the procedures and associated documentation currently fall under the remit of the UK Link Committee and changes are made with its agreement.

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

⁴ UNC related documents do not form part of the UNC itself, but are governed in accordance with Section V12 of the UNC

UNC Panel⁵ recommendation

At its meeting of 16 July 2009 the UNC Modification Panel voted unanimously to recommend that UNC250 be implemented.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 8 September 2009. 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

As this proposal seeks to bring together existing guideline documentation and ensure it remains robust, we consider it to be largely a matter of good housekeeping and note that it attracted unanimous support from both the UNC Modification Panel and respondents to the consultation.

Two respondents noted that while the contingency arrangements are largely for guidance, they do obligate users to participate in mandatory testing on at least a biennial basis. Whilst these costs have not been quantified, Xoserve have advised that the level of testing required of each user is likely to be minor. While we would be concerned if the costs of testing were perceived to be disproportionate to the risks it seeks to mitigate, we consider that a reasonable amount of regular testing is expedient in order to ensure that the contingency arrangements remain fit for purpose. The costs are likely to be far greater if they are only tested in a genuine contingency situation and found wanting.

We agree with the panel's view that to the extent that the accessibility and clarity of the guidelines will improve communications between users during a contingency situation, market arrangements can be expected to work as normal, or at least with the minimal disruption, allowing effective competition to continue during this period. We also consider that the availability of robust contingency arrangements will reduce parties' perception of risk, which may have a marginally positive effect on costs of capital or even market entry decisions. We therefore consider that the implementation of this modification will better facilitate relevant objective d) '*the securing of effective competition between relevant shippers.*'

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

⁸ 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.

One respondent expressed disappointment that NG NTS's concerns around dual governance had not been raised as part of the 217 review group, though went onto express support for the proposal, agreeing that the arrangements should be documented in a single location. Whilst we note that the proposal does not fully reflect the intent of the review group insofar as change to the guidelines will not be subject to agreement of the UNC Committee, we consider that the UK Link Committee is equally, if not more, representative of all UNC Parties. Further, as the contingency guidelines set out an intended fall back position, seeking to replace, as far as possible, ordinary processes during a systems failure, they would be best considered by the body that oversees those ordinary processes.

We agree that increased transparency and familiarisation with the processes and procedures required during system failures should allow for more efficient operations than would otherwise be the case during a code contingency event, therefore better facilitating relevant objective a) '*the efficient and economic operation of the pipe-line system to which the licence relates*'. We also consider that the consolidated contingency guidelines will represent improved governance of those procedures and associated documentation, therefore better facilitating relevant objective f) '*efficiency in the implementation and administration of the UNC*'.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC250: '*Introduction of the Code Contingency Guidelines document*' be made.

Stuart Cook

Senior Partner, Transmission and Governance

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