

Modification proposal:	Uniform Network Code (UNC) 269: Provision of Exit Information at all NTS Exit Points for the transitional exit period (UNC269)		
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:	25 March 2010	Implementation Date:	To be confirmed by the Joint Office

Background to the modification proposal

On 19 January 2009 the Authority directed³ that UNC modification 195AV 'Introduction of Enduring NTS Exit Capacity Arrangements' be made. This modification was subsequently implemented on 1 April 2009.

The effect of UNC195AV includes an obligation on National Grid (NG) National Transmission System (NTS) to make available certain information relating to all NTS Exit points on a monthly basis from 1 October 2012 onwards (the enduring exit period). Those data items are as follows:

- Baseline NTS Exit (Flat) Capacity;
- Remaining Available NTS Exit (Flat) Capacity;
- Maximum Supply Point Offtake Rate (MSPOR);
- NTS Offtake (Flat) bookings at individual Distribution Network offtakes;
- NTS Exit Capacity bookings at offtakes connected to the NTS;
- Aggregate NTS Exit Capacity bookings at interconnectors; and,
- Actual NTS interruption by offtake: currently provided on a zonal basis.

The modification proposal

Modification proposal UNC269 seeks to make the data which will be published as part of the enduring exit period available from an earlier date. The proposer, NG NTS argues that this proposal will better facilitate relevant objectives b) and d) of the UNC and will at the same time better meet the requirements of Article 6 of EC Regulation 1775/2005.

UNC Panel⁴ recommendation

At its meeting of 17 December 2009 the UNC Panel considered the Final Modification Report (FMR) for UNC269. All ten voting members were present and voted unanimously to recommend that UNC269 be implemented.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the FMR dated 18 February 2010. The Authority has considered and taken into account the

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 http://epr.ofgem.gov.uk/document_fetch.php?documentid=14208

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

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, and is compatible with the Authority's duties under European Union (EU) law, as it better facilitates compliance with certain requirements under EC Regulation 1775/2005

Reasons for the Authority's decision

We note that while the UNC Panel and each of the six consultation respondents were in support of the modification proposal on the basis that it ensured compliance with EC Regulation 1775/2005, views were mixed on whether its implementation would better facilitate the relevant objectives of the UNC. The arguments put forward were against relevant objectives b) and d). We make our own assessment against these objectives below.

UNC Relevant Objective (b): the co-ordinated, efficient and economic operation of the combined pipeline system

Some of the respondents noted the proposer's view that the information released following this modification could enable shippers to better understand their requirements. Some agreed that this could better facilitate relevant objective b) but did not explain how. NG NTS argues that the release of information would in turn enable shippers to provide better information to NG NTS, potentially enabling more efficient and economic pipeline investment and operation. However, other respondents, while supporting the proposal, suggested that as the information will be released within investment lead times, it will come too late to have a meaningful impact upon investment decisions.

In assessing this proposal we have been mindful not to attribute benefits to this proposal that are more accurately attributable to enduring exit reforms. As previously noted, the information which this proposal seeks to have published will in any case be available from 1 October 2012. However, we consider that in order for the full benefits of enduring offtake reforms to be realised, shippers and end users must be in a position to make informed decision at the earliest opportunity. We therefore consider that the availability of this information during the transitional period up to 1 October 2012 will maximise the use of currently available capacity and potentially impact the point at which incremental becomes necessary during the enduring regime, i.e. maximising the value of existing assets.

The availability of this information will also contribute to better planning strategies in the longer term. Whilst the benefit of this specific sub-set of data may currently be difficult to gauge, being largely dependent upon the use shippers make of it and the subsequent success of those capacity planning strategies, it appears to be likely that the availability

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

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

of this additional information will, as long as it is accurate, be of some benefit even if this is limited.

UNC Relevant Objective (d): the securing of effective competition between relevant shippers, between relevant suppliers and between DN operators and relevant shippers

There was a greater degree of support amongst respondents for the NG NTS' view that additional information will better facilitate competition, though again there were few comments to elaborate. One respondent agreed that the modification would improve transparency but stated it was unclear how this would impact upon competition. They noted that at DN offtakes there is no competition, whilst at other offtakes which serve customers, existing shared supply arrangements enable the registration of multiple shippers. Another respondent suggested that improved transparency should be beneficial to competition but that the impact would be marginal.

One respondent also noted that the proposal goes beyond the minimum definition of relevant points as stated in EC Regulation 1775/2005, which does not include offtake serving customers accounting for less than 2% of total network capacity. However, the respondent went on to state that it does not consider this information to be commercially sensitive and supports it being published for all offtake points, consistent with the enduring exit regime.

We consider that that the implementation of this proposal will provide greater transparency to shippers and end users on the availability of capacity during the interim period. This will enable them to make better informed assessments of, and decisions on, their own requirements and options. For instance, this may identify which sites are and are not likely to require new incremental capacity and therefore which may require a user commitment. We consider that this will better facilitate effective competition for spare capacity while at the same time allowing shippers to reduce exposure to costs. Ultimately this will benefit those operators who are able to efficiently manage their capacity costs, and potentially pass through savings to their customers.

Conclusion

We have not been aware of any detrimental impacts which may arise from the implementation of this proposal. In particular we note that no additional costs have been identified as arising from the earlier publication of this information. Given the above, we consider that the implementation of this proposal will better facilitate both relevant objective b) and d) of the UNC, even if the benefits are modest.

We have also considered this proposal against our statutory duties under domestic legislation and EU law (and in particular allegations of non compliance with EC Regulation 1775/2005 in infringement proceedings against the UK launched in June 2009⁸). We consider that directing UNC269 to be implemented will be consistent with our duty to have regard to the principle of better regulation. In particular, the implementation of this proposal will ensure that the provisions of the UNC are more clearly consistent with NG NTS' obligations under Article 6 EC Regulation 1775/2005⁹ and Ofgem's obligations under Article 10 EC Regulation 1775/2005.

⁸ Letter of formal notice (no. 2009/2181) was issued by the European Commission on 25 June 2009.

⁹ Under Article 6(3) EC Regulation 1775/2005: For the services provided, each transmission system operator is required to make public information on technical, contracted and available capacities on a numerical basis for all relevant points including entry and exit points on a regular and rolling basis and in a user-friendly standardised manner.

We are aware that Article 6 of EC Regulation 1775/2005 will be superseded by Article 18 of Regulation 715/2009 on 3 March 2011. The 2009 Regulation will place an additional requirement on NG NTS in its capacity as Transmission System Operator to publish ex-ante and ex-post supply and demand information, based on nominations, forecasts and realised flows into and out of the transmission system. NG NTS has confirmed that it is aware of these further requirements and intends to provide this additional information by the end of 2010.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority hereby directs that modification proposal UNC269: 'Provision of Exit Information at all NTS Exit Points for the transitional exit period' be made.

Martin Crouch
Partner, European Strategy

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