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Your Reference:UNC Modification Proposals 0318 - 0325.

Re: UNC Modification Proposals 0318 - 0325
Suite of Proposals raised to implement the Industry Codes Governance Review

Dear Bob

Thank you for your invitation seeking representations with respect to the above Modification Proposals. National Grid Gas (Distribution) ("NGD") recognises that the purpose of this suite of Proposals is to seek implementation of changes to the Uniform Network Code (UNC) deemed necessary to comply with new Transporter licence conditions introduced as a consequence of the Industry Codes Governance Review. Such licence obligations will be effective from 31 December 2010.

Accordingly, NGD believes that principally, implementation of all the Proposals (including 0318A) would better facilitate the relevant objective of the efficient discharge of the licensee's obligations under the licence and therefore **fully supports** implementation of all the proposals (though noting that 0318 and 0318A are alternatives). In addition to this general view, NGD has the following comments in respect of each Proposal:

Proposal 0318: The approach to be taken when raising alternative Modification Proposals

This Proposal seeks to ensure that alternative Modification Proposals are sufficiently developed prior to being issued for consultation by ensuring that such Proposals are raised earlier in the process than is permitted by the prevailing rules. We share industry concerns regarding the current rules which permit an alternative Proposal to be raised up to 5 business days *following* the Modification Panel directing the original Proposal to 'proceed to consultation'. Where an alternative Proposal is raised after this direction, the Modification Panel is not required to endorse the suitability of the alternative Proposal for consultation; instead the Proposal is automatically issued for consultation alongside the original.

We agree that the proposed approach of requiring alternative Proposals to be raised *prior* to the submission of the Development Work Group Report to the Modification Panel represents a better approach by ensuring that the Modification Panel is required to endorse the suitability of the alternative Proposal for consultation. In respect of identifying a suitable deadline by which point an alternative Proposal must be raised, we acknowledge the complexity presented where the Modification Panel refers a report back to the Development Work Group. However, the proposed deadline appears to be the most suitable in the current governance structure.

Recognising that the Modification Panel may, in the first instance, direct that a Proposal proceeds directly to consultation, we would anticipate that where the Modification Panel is made aware that alternative solutions are being considered by other industry parties, it would refer the original proposal to a Development Workgroup.

NGD disagrees with the Disadvantage identified in section 11 of the Draft Modification Report. Whilst the development process may be extended to facilitate development of alternative Proposals we believe this is preferable to under developed Proposals being issued for consultation. In the event that a change proposal decision is time-bound to extent that 'normal' procedures cannot deliver a decision by this deadline or other deadline determined by the proposer, we would anticipate that the proposer would petition the Authority to grant 'Urgent' status in respect of the Proposal.

In the event of the appropriate direction from the Authority, NGD would be able to implement this Proposal with immediate effect.

Proposal 0318A: The approach to be taken when raising alternative Modification Proposals

This Proposal supplements the principles identified within Modification Proposal 0318 with guidance for the Modification Panel where it is considering whether a Proposal should proceed to consultation (in the event that it has not been subject to Development). We recognise the proposer's concern that a proposal that proceeds directly to consultation effectively prevents an alternative Proposal being raised. However, we note that this does not adversely impact the ability of a relevant party to raise a Proposal at any time.

In the event of the appropriate direction from the Authority, NGD would be able to implement this Proposal with immediate effect.

Proposal 0319: Role of Code Administrators and Code Administration Code of Practice

This Proposal effectively seeks to clarify the role of the Joint Office of Gas Transporters and introduce a Code of Practice for the administration of the UNC change processes. We recognise the benefits of common terminology and governance arrangements across industry codes for participants active in gas and electricity markets.

We support the retention of a specific vehicle to review components of the UNC (currently 'Review Procedures') in the form of 'Pre Modification Assessment Procedures'. We believe this process provides an effective vehicle for the discussion and development of ideas.

In respect of Principle 8 of the Code of Practice, we believe that the existing methods of estimating central systems costs (namely the provision of 'Rough Order of Magnitude' assessments by the Transporters' agent) meet the requirements of this principle.

In the event of the appropriate direction from the Authority, NGD would be able to implement this Proposal with immediate effect.

Proposal 0320: Appointment and Voting Rights for a Consumer Representative and Independent Panel Chair

This Proposal seeks to incorporate an additional voting consumer representative on the Modification Panel, embed the requirement for the Modification Panel Chairman to be independent and to afford this role limited voting rights. We believe this Proposal better reflects the requirements of the new licence condition (concerning consumer representation on the Modification Panel) in comparison to the terms introduced by Modification 0286A which only introduced one voting consumer representative.

In respect of the final advantage specified in section 11 of the Draft Modification Report, NGD disagrees with assertion that the existing rules may 'unnecessarily impede' progress. As identified by the proposer, under the prevailing arrangements, where there are an equal number of votes the relevant motion is deemed not to have been carried i.e. a decision has nevertheless been made. NGD believes that the improvement (when compared to the prevailing arrangements) presented by allowing the Panel Chairman a casting vote is realised by obtaining an additional objective view in respect of the decision being sought.

Notwithstanding our support for the implementation of the Proposal, in respect of the suggested legal text, we note that within the proposed definition of "Panel Chairman" it refers to a 'deputy Panel Chairman' however in the definition of "Voting Member" it refers to a 'deputy chairman'. Presumably these are one in the same and for the purposes of consistency we believe that the latter should also be referred to as a 'deputy Panel Chairman'.

In the event of the appropriate direction from the Authority, NGD would be able to implement this Proposal with immediate effect.

Proposal 0321: Approach to environmental assessments within the UNC

This Proposal seeks to include a requirement for an assessment of the impact of a Modification Proposal on Greenhouse Gas Emissions where the proposer or the Modification Panel believes that the impact on such is likely to be material as required by new licence condition effective 31 December 2010.

In the event of the appropriate direction from the Authority, NGD would be able to implement this Proposal with immediate effect.

Proposal 0322: Inclusion of the NTS Transportation and Connection Charging Methodologies within the UNC

This Proposal seeks to incorporate the NTS charging methodologies into the UNC such that they are then subject to the UNC governance process. Accordingly, this permits other code parties and (where designated by the Authority) 'Materially Affected Parties' to raise change proposals to such methodologies.

We note that there are a number of ancillary changes proposed to the UNC Modification Rules to facilitate Charging Methodology change governance which are necessary to deliver the requirement of new licence conditions effective from 31 December 2010.

In the event of the appropriate direction from the Authority, NGD would be able to implement this Proposal with immediate effect.

Proposal 0323: Self Governance

This Proposal seeks to introduce the ability for the Modification Panel to make a final decision in respect of whether to implement a UNC Modification Proposal where the proposed change is not material. NGD believes that the proposed mechanism incorporates sufficient safeguards in allowing Ofgem to determine that the Proposal follows the 'normal' change governance route and additionally allows any code party to raise an appeal in respect of the determination of the Modification Panel.

Notwithstanding our support for the implementation of the Proposal, we have the following comments in respect of the suggested legal text:

- within the description of the proposal it states that the Transporters would submit the Self Governance Statement whereas within the legal text says specifies that it would be the Modification Panel (section 6.6.1). the latter would appear to be correct in light of the requirement of Standard Special Condition A1115D(a) of the Transporters Licence; and;
- in respect of the definition of 'Self Governance Modification Proposal' within paragraph 2.1 of the suggested legal text, we believe that the end of the first paragraph should be supplemented by the words "in respect of which:"

In the event of the appropriate direction from the Authority, NGD would be able to implement this Proposal with immediate effect.

Proposal 0324: Significant Code Reviews

National Grid is a trading name for:
National Grid Gas plc
Registered Office: 1-3 Strand, London WC2N 5EH
Registered in England and Wales, No 2006000

This Proposal seeks to introduce a more co-ordinated and inclusive industry approach to the development of significant changes to industry codes. We recognise that the existing Modification Rules may not deliver the most economic method for the industry to progress significant changes to the UNC regime and therefore believe that the Proposal represents a better approach than the current provisions. Preventing the progression of a Modification Proposal which concerns the same subject matter as is being considered as part of a significant code review effectively incentivises all interested parties to actively engage in the process of the development of the regime. We believe that is a preferable approach to the development of solutions in isolation.

In the event of the appropriate direction from the Authority, NGD would be able to implement this Proposal with immediate effect.

Proposal 0325: DN Transportation Charging Methodology and Change Governance

This Proposal seeks to incorporate the DN Transportation Charging Methodology into the UNC and subject this to UNC governance arrangements. As noted above in respect of Modification Proposal 0322, if implemented this would permit other code parties and (where designated by the Authority) 'Materially Affected Parties' to raise change proposals to the methodology.

Whilst the Charging Methodology itself has necessarily been included in the suggested legal text and if required, would be included in the final legal text in the event of the appropriate direction from the Authority, it is not the intention of this Proposal to act as a vehicle to consult on the current content of the Methodology. The purpose of the Proposal is to incorporate the *prevailing* methodology into the UNC and create the framework for future change governance applicable to the methodology in line with the new licence requirements effective on 31st December 2010.

Pursuant to the above, if direction to implement is forthcoming, the methodology that is inserted into the UNC would be the methodology that exists as at the date of the provision of the final legal text which may be different to the methodology provided alongside the Modification Proposal. For the purposes of clarification, any such changes to the methodology would have been subject to the prevailing change governance arrangements.

Further, in the event of implementation, for the purposes of 'transition', where a change to the methodology is proposed as at a date prior to the date of implementation, NGD would progress this change as per arrangements existing prior to implementation of the proposal. Whereas, from the date of implementation any changes would progress using the new UNC arrangements (i.e. pursuant to the UNC Modification Rules).

In the event of the appropriate direction from the Authority, NGD would be able to implement this Proposal with immediate effect.

Please contact me on 01926 653541 (chris.warner@uk.ngrid.com) should you require any further information.

Yours sincerely,

Chris Warner
Network Code Manager, Distribution