

Modification proposal:	Uniform Network Code (UNC) 342: Amendment to the distribution network Adjustment Window (UNC342)		
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:	28 March 2011	Implementation Date:	To be confirmed by the Joint Office

Background to the modification proposal

As part of the enduring exit reform processes, Gas Distribution Network (GDN) operators can apply for or revise both their National Transmission System (NTS) Exit (Flexibility) Capacity ("flex capacity") and their Assured Offtake Pressure (AOP) at an NTS/Local Distribution Zone offtake point. They can make these applications/revisions via the Offtake Capacity Statement (OCS) and Offtake Pressure Statement (OPS) processes during the July application window. In response, National Grid Gas (NGG) must provide an indicative OCS and/or indicative OPS informing the GDN whether their application(s) have been fully accepted, partially accepted or rejected. This must be provided by 15th September of the same gas year.

The GDNs can then clarify, reconsider and resubmit their application(s) for flex capacity and/or AOP (and/or, for the transitional period³ only, NTS Offtake (Flat) Capacity) within five business days of receipt of the indicative OCS. Additionally, for the enduring period, any rejection by NGG of GDN claims for increased flex capacity or an increased AOP allows that GDN to submit revised applications for Enduring Annual NTS Exit (Flat) Capacity ("flat capacity") within five business days after 15th September. NGG then has the opportunity to consider the resubmitted application(s) prior to agreeing the OCS and OPS by the 30th September of the same gas year.

The modification proposal

Some parties consider that the current process does not give enough time for GDNs to reconsider their options in the event that NGG is not able to accommodate their original submissions in full. The mandatory timeline also pressurises NGG in their consideration of any GDN resubmissions. This modification proposal tries to rebalance the process to make more time available at the back end of the process so that it might lead to a better overall outcome.

The modification proposes that:

- the indicative OCS and/or indicative OPS should be provided by NGG no later than 15 business days after the closure of the annual application window in July.
- for the transitional period, following the submission to the GDN of the indicative OCS and/or indicative OPS, the GDN should have ten business days to clarify, reconsider and resubmit its application(s) for flex capacity and/or AOPs
- for the enduring period, where NGG wholly or in part rejects a request for additional flex capacity or an increase in AOP, the GDN can submit a revised

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 The transitional period runs up to the 1 October 2012.

application for flat capacity (alongside any revised flex capacity/AOP request) on any of the first ten business days following the provision of indicative OCS and/or indicative OPS.

National Grid NTS will then continue to have until the 30th September to consider these applications and agree the OCS and OPS.

UNC Panel⁴ recommendation

The UNC Panel considered the proposal on 20 January 2011. Ten members voted in favour of implementation, with one further member stating it was not sufficiently familiar with the issues to give a view on whether the relevant objectives would be furthered by the proposal. The Panel recommended implementation of the proposal.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 24 February 2011. 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 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.

Reasons for the Authority's decision

Having considered the issues raised and responses, we consider that this proposal better facilitates relevant objectives (a) and (b).

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipeline system to which this licence relates

NGG has informed Ofgem that the ability to propose this modification has arisen as a result of recent changes to its network analysis software. These changes allow it to conclude the analysis of transient scenarios in a quicker timescale than previous, thereby allowing NGG to issue its initial results to GDNs in a shorter timescale. It would therefore seem sensible for other parties in the information chain to derive benefit from the reduced analysis times.

Respondents considered that giving NGG more time to analyse the available options after any resubmissions by GDNs should help NGG to come to a more considered overall solution, which should help in ensuring the outcome is economic and efficient. We note

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

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

⁷ 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.

that the interests of NGG and GDNs are aligned by this proposal. We therefore accept their argument that focussing more analytical resource on the post resubmission scenarios should help in resolving the potentially more difficult aspects of network optimisation, thereby facilitating economic and efficient operation of the system.

Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of (i) the combined pipe-line system, and/or (ii) the pipe-line system of one or more other relevant gas transporters;

Respondents thought that allowing both NGG and GDNs extra time in the back end of the process will allow them to explore more options, which should lead to a more considered outcome for GDNs. This should be at least as effective as the current outcome, and is likely to be a more efficient and economic outcome. We consider that allowing GDNs extra time to submit revisions is likely to result in a better quality proposal to NGG, which should benefit both the GDN and NGG. This should facilitate a more efficient and economic solution being reached for the combined system, as well as for affected GDNs.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority hereby directs that modification proposal UNC 342: 'Amendment to the DN Adjustment Window' be made.

Hannah Nixon
Partner, Transmission

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