

Our Ref: UNC412
Email: industrycodes@ofgem.gov.uk

Date: 3 February 2012

Dear Bob,

Decision on whether Modification Proposal UNC 412 'Changes to the Stages of Emergency Resulting from Changes Introduced by Exit Reform' ('UNC 412') is to be suspended pending the end of the 'Gas Security of Supply Significant Code Review' ('the Gas SCR') Phase.

This letter sets out that the Authority does not at this stage intend to direct that UNC 412 is suspended pending the end of the 'Gas Security of Supply Significant Code Review' (Gas SCR) Phase.

As a consequence, Modification Proposal UNC 412 will follow the normal modification process unless we issue a direction to the contrary.

Background

On 11 January 2011, Ofgem launched the Gas SCR¹. The key objectives of the review are to:

- minimise the likelihood of an emergency occurring by encouraging gas shippers and suppliers to take out sufficient "insurance";
- minimise the severity and duration of a gas emergency if one were ever declared, by sharpening incentives to attract and purchase imported gas; and
- appropriately compensate firm customers if they were to be interrupted following a gas emergency.

On 6 January 2012, National Grid Transmission ('NGT') raised UNC 412² which proposes to modify the Stages of Emergency, described in Section Q of the UNC, to reflect the changes proposed in the revised National Emergency Coordinator ('NEC') safety case, as a result of the new Enduring Exit Regime³.

Under paragraph 7.2.8 of the Uniform Network Code ('UNC') Modification Rules ('the Modification Rules'), *the Modification Panel shall assess whether the subject matter of a modification proposal made during a Significant Code Review relates to a matter that is the*

¹<http://www.ofgem.gov.uk/Markets/WhIMkts/CompendEff/GasSCR/Pages/GasSCR.aspx>

² Modification proposal UNC412 can be found at <http://gasgovernance.co.uk/0412>

³ The new Enduring Exit Regime will be implemented on 1 October 2012, as a result of Modifications UNC 90 'Revised DN Interruption Arrangements' and UNC 195AV 'Introduction of Enduring NTS Exit Capacity Arrangements'.

subject of an ongoing Significant Code Review and instruct the Secretary to submit to the Authority as soon as is reasonably practicable a written assessment'. On 19 January the UNC Panel determined that UNC 412 is related to the ongoing Gas SCR and further discussion of the proposal was to be deferred⁴.

Under paragraph 6.7 of the Modification Rules, if the Authority does not make a direction or re-direction not to proceed with the Modification Proposal, then it is assumed that the proposal is not suspended and can proceed in accordance with the Modification Procedures⁵.

Reasons for UNC 412 to follow the normal modification procedures.

The UNC currently describes 5 stages of emergency:

- Stage 1 steps include: Emergency Interruption, maximum usage of line-pack flexibility, utilisation of distribution network storage and emergency specification gas, public appeal to reduce demand;
- Stage 2 steps include: maximisation of User delivery to System Entry Points, suspension of NGT participation to the On-the-day Commodity Market;
- Stage 3 steps include: firm load shedding;
- Stage 4 steps include: direct allocation of gas supply by NGT to each distribution network;
- Stage 5 steps include: return to normal operation.

As a result of the Exit Reform, from 1 October 2012 there will be no Interruptible NTS Supply Points and therefore the nature and timing of the Transporters' actions in an emergency will change. For this reason NGT and the NEC are reviewing the stages of a Network Gas Supply Emergency to ensure that the current level of safety is maintained.

For the above reasons, modification proposal UNC 412 proposes to merge the current stages 2 and 3 and renumber the remaining steps 4 and 5 as, respectively, 3 and 4.

Though the Gas SCR Draft Policy Decision⁶ mentions and explains the different stages of emergency, the document already takes into account the changes that NGT wants to introduce as a result of the Exit Reform implementation. Paragraph 4.7 of the document clearly acknowledges this and also clarifies that "*For the remainder of this document we refer to the stages of emergency post exit reform. We do not envisage that our proposals would cause additional changes from a safety perspective*". The paragraph also describes, in Figure 3, how the stages of emergency would look like.

It is also worth noting that the Gas SCR does not rely on this modification proposal as the former can be implemented on the existing regime.

Ofgem's decision

The modification proposal UNC 412 and the Gas SCR both refer to the stages of emergency and on this basis the UNC Panel determined that they were "related". However, as UNC 412 would have no impact on the Gas SCR development and implementation, in our view it is appropriate that modification proposal UNC 412 is not suspended and proceeds through the UNC Modification Procedures.

⁴ See minutes of Panel meeting 19 January 2012 which represent the Panel's written statement that Modification Proposal UNC 412 is related to the Gas SCR, and should be deferred: <http://gasgovernance.co.uk/panel/190112>

⁵ The Modification Rules can be found here: <http://gasgovernance.co.uk/sites/default/files/Modification%20Rules.pdf>

⁶ The Gas SCR Draft Policy Decision can be found at <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Draft%20Policy%20Decision%20Gas%20Security%20of%20Supply%20Significant%20Code%20Review.pdf&refer=Markets/WhlMkts/CompandEff/GasSCR>

We also note that both modification proposal UNC 195AV and the NEC Safety Case are scheduled to be implemented 1 October 2012. For this reason NGT recommends that UNC 412 is also implemented before 1 October 2012, to avoid misalignment between the NEC Safety case and the UNC.

Finally, please note that for future Modification Proposals we will not issue a letter unless we believe that a new Modification Proposal should be suspended. As explained above, under Paragraph 6.7 of the Modification Rules, if we do not issue any direction or re-direction, then it is assumed that the proposal is not suspended and can proceed in accordance with the Modification Procedures.

Yours sincerely

Dora Ianora
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