UNC Structures And Process for Establishment

A paper by NGT for DISG 14, 20th July 2004

Introduction

This note considers the nature of the contractual structures in respect of gas transportation across the existing Transco system in the context of network sales and the proposed introduction of a Uniform Network Code. The note then goes on to consider the high level process for its introduction.

The note is based on a number of assumptions:

- That each GT would have a licence condition similar to that in the Transco GT licence requiring it to establish a Network Code in respect of arrangements for gas conveyance on its system;

- In addition the licence condition would contain an additional requirement, that GTs connected to the NTS must establish and adopt a common set of such arrangements for gas conveyance across their respective systems;

- The UNC rules would initially be based upon the current Transco Network Code amended to reflect the existence of a number of GTs;

- The UNC approach is consistent with the approach suggested in Ofgem's conclusion to their RIA on the Allocation of Roles and Responsibilities between Transmission and Distribution Networks.

Uniform Network Code

It is proposed that the current content of the Transco Network Code is converted into a uniform (or umbrella) Network Code ("UNC"). This document could be simply seen as a set of rules (rather than a code in its own right owned by a particular GT) relating to arrangements for gas transportation across the existing Transco system. Within the uniform document, wherever possible, obligations would be identified as being either at NTS level or at relevant LDZ level (and a large proportion of the existing obligations already apply at a particular level of the system). Each GT (NTS and retained LDZs) would then have its own short form Network Code (`SFC`) which would simply adopt the rules of the UNC as its own. In addition;

1. **GT Licence Standard Condition [4E and 9];**

   Standard Condition 9 governs the Network Code and both Transco and IDNs would need a special licence condition varying the current standard condition to permit GTs to adopt the Uniform Network Code rules and to implement appropriate modification rules. Condition 4E would need minor amendment to incorporate reference to the UNC.

2. **Short Form Network Codes;**

   Transco and IDNs would initially have a SFC that incorporated the UNC rules. The content of the SFC could be limited simply to adoptive provisions and those concerned with establishment and the accession of parties.

3. **Modification Rules;**

The current Transco modification rules would be amended to cover modification of the UNC. Depending on the precise wording of the GT licence requirements in relation to modification rules, each GT would have to be capable of satisfying the licence condition requirements by adopting the modification rules for the Uniform Network Code. It is also possible that such modification rules could initially contain rules, which could apply to the subsequent modification of the SFC documents

4. **Framework Agreement;**

The UNC would be given contractual effect through a framework agreement modelled on the existing Network Code framework agreement. Each GT (Transco and IDNs) and all shippers would sign a framework agreement, which would bind them to the provisions of the GT's SFC and accordingly the UNC rules.

Requirements for Establishment of UNC

1. UNC rules having been established via an industry process with the final UNC rules designated by Ofgem. These rules would also contain transitional provisions to preserve continuity between the Transco Network Code and the UNC.

2. The current Transco Network Code would be modified to replace the current commercial rules (which would be re-established as the UNC rules) with appropriate SFC provisions.

3. SFCs would be prepared in respect each potential IDN (and potentially RDNs) and each would be designated by Ofgem.

4. New framework/accession agreements would be prepared for each IDN to be executed between the IDN and shippers.

5. UNC modification rules would need to be established and designated by Ofgem (these could be based on the existing Transco modification rules).

6. Supporting ancillary documentation such as the various methodologies currently contained within the Transco Network Code would need to be revised and developed for each.