

Consultation on network code arrangements

Development & Implementation Steering Group
24 February 2004

Outline of presentation

- Background
 - Conditions to consent
 - Proposed licence framework
 - Proposed contractual framework
 - UNC development process
- Ofgem consultation process

Conditions to the Authority's consent

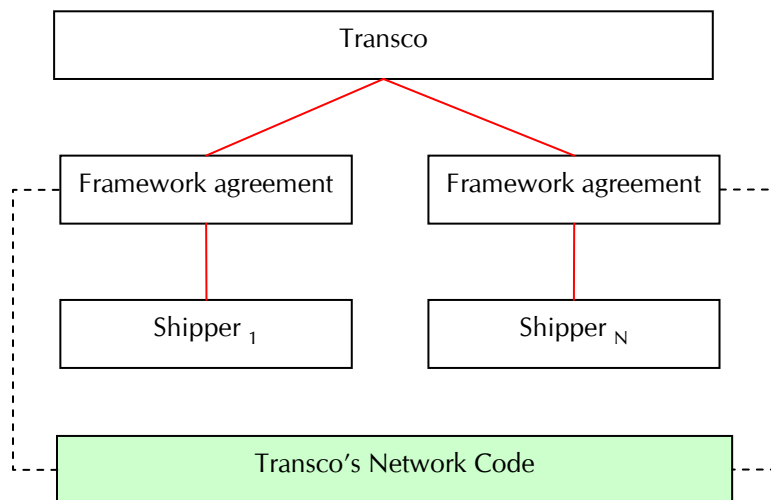
- On 20 January 2005, Authority granted conditional consent to DN sale
- One condition of this consent requires that:
 - The Authority must be satisfied that the proposed arrangements for industry codes have been developed consistent with the Authority's statutory objective and duties and that, as such, these codes will protect the interests of both existing and future customers.

Network Code related licence conditions

- Ofgem's formal section 8AA and section 23 notices, published in February 2005, proposed to:
 - establish a UNC by introducing Standard Special Condition A11;
 - provide for the joint administration of the network code mod process by introducing Standard Special Condition A12; and
 - protect against inefficient fragmentation of services and systems required to implement the transportation arrangements by introducing Standard Special Condition A15.
- These conditions are described in detail in Ofgem's formal section 8AA and section 23 document.

Proposed commercial framework

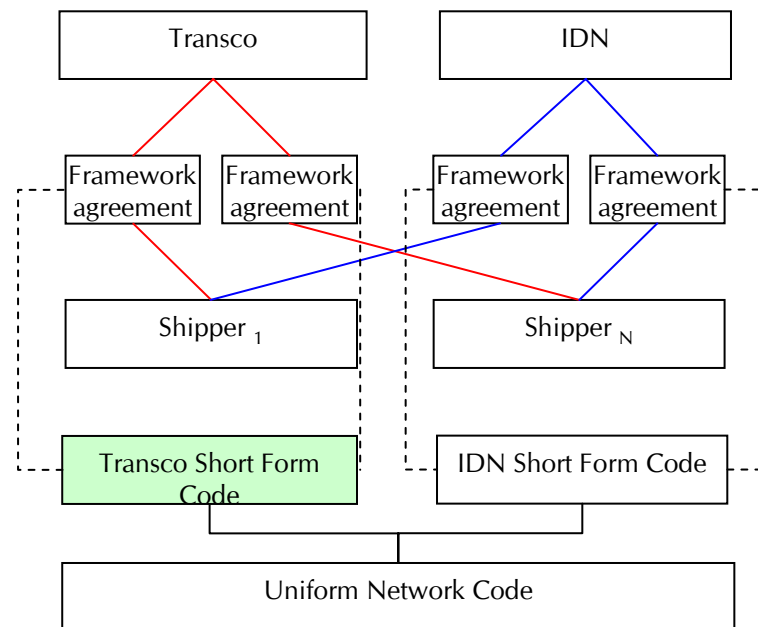
Current Contractual framework



Modification Proposal 0745 proposes to modify Transco's network code into the Transco short form code.

*Red indicates existing contractual agreement
Blue indicates new contractual agreement*

Post DN sales contractual framework



Development of the UNC

- Transco undertook UNC development through a number of industry forums:
 - UNC development forum
 - Exit Reform Development Forum
 - Towards a new industry framework consultation
 - UNC Legal drafting sessions
- Transco considered this process would allow development of a multi transporter UNC which would not have been possible using existing network code mod rules
- Ofgem has not been involved in detailed UNC drafting but has sought to ensure the UNC reflects the high level industry framework

Purpose of Ofgem consultation

- The purpose of Ofgem's consultation is to give interested parties an opportunity to comment on detailed industry code proposals
- The consultation brings together three key streams of work:
 - Transco's Modification Proposal 0745
 - the UNC itself
 - the proposed licence conditions to support the UNC

Ofgem's consultation will take the form of a cover letter to Transco's draft UNC

Two-Stage process

- Ofgem intends to adopt a two-stage consultation process
 - **STAGE 1:** Responses should be submitted to Transco and Ofgem to allow Transco to use the feedback to address legitimate concerns
 - **STAGE 2:** Responses should only be submitted to Ofgem to inform the Authority's decision regarding the proposed industry framework
- This approach will allow interested parties to make comments on Transco's draft UNC while providing Transco with an opportunity to refine the UNC

Ancillary documents

- Crucial that Transco also produces drafts of the ancillary documents to the UNC including, amongst others:
 - Offtake Arrangements Document
 - Agency Services Agreement
 - Joint Governance Agreement
- In the absence of these draft documents it will be difficult for interested parties to submit an informed response in relation to all aspects of the UNC drafting

A large, central version of the ofgem logo is positioned in the middle of the slide. It features the word "ofgem" in white lowercase letters on a rounded orange background. The background of the slide is a faded, blue-tinted image of electrical components, including a three-pin plug and a circuit breaker panel.

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