

## Non Urgent Modification Proposal

<b>Reference</b> <i>The Pipeline Operator should allocate, on receipt, a unique reference number to each modification proposal.</i>	ESP126, ESPC050, ESPN126, ESPP126, GPL40, GTC341, GUC21, IPL030, QPL030, SSE30, UGI32
<b>Title</b> <i>The proposer should give each modification proposal a title which clearly reflects the intent/content of the modification proposal it self.</i>	Creation of an iGT UNC
<b>Proposer</b> <i>Insert the Name/Company/iGT Register Shipper details of party raising the modification proposal.</i>	Robert Barnett Consultant acting on behalf of the iGTs
<b>Pipeline Operator</b> <i>Insert the Pipeline Operator's Company name whose network code is to be modified.</i>	ES Pipelines Limited ESP Connections Limited ESP Networks Limited ESP Pipelines Limited GTC Pipelines Limited The Gas Transportation Company Limited Global Utility Connections Limited Independent Pipelines Limited Quadrant Pipelines Limited SSE Pipelines Limited Utility Grid Installations Limited
<b>Non Urgent Modification Proposal Dates</b> <i>To be filled by the Pipeline Operator</i> Circulation by  <b>Shipper meeting Responses due by</b>  Circulation of draft by: Response to draft by Final Modification sent to authority by Circulate authority's determination Suggested Implementation date:	01/12/2006  <b>14/12/2006</b> <b>22/12/2006</b>  08/01/2007 29/01/2007 12/02/2007 March 2007 01/04/2007
<b>Background</b>  <u>An iGT UNC</u>  This Proposal is made jointly by all the GT licensees listed above. However, as a formal Modification it should be viewed as a separate Proposal by each licensee in respect of each individual network code under the terms of each licensee's modification procedures.  For some time, both the iGTs and shippers have considered the problems associated with coordination of transportation arrangements across the iGT sector. Ofgem has consulted on the general issue of iGT governance and has formed a provisional view that it would be beneficial for all the iGTs to operate under the terms of a single code. This would bring them partly into line with practices operated by the Large Transporters operating under the UNC.  One idea was that the UNC be adapted to incorporate iGT operation with governance managed by the UNC's Joint Office. However, this would require considerable change to the UNC and this could not be contemplated quickly.  The alternative idea considered was for there to be an iGT UNC covering those terms already required for single iGT operation. Ofgem is considering introducing changes to the GT licence to require iGTs to accede to such a code but this is not yet a formal proposal.	

In view of these issues and mindful of the requirement that the Distribution Network Operators already operate under the terms of the UNC, the GT Licensees listed above have initiated a project to provide a single code, the "iGT UNC", under which the iGTs that incorporate this document into their codes would operate. This is preferred by the iGTs because it can be implemented quickly and relatively cheaply and seems more proportionate to resolving issues in the iGT sector. Therefore, this proposal is designed to be operable under the existing governance arrangements through a simple Modification Proposal to each licensee's network code. This Modification Proposal is being made as part of this project. Without a formal licence change, it is not mandatory for iGTs to operate under the terms of such a document but the Proposers between them operate nearly all the transportation arrangements that would be affected and so, even without a formal licence condition, if this Proposal is Implemented, the iGT sector will, for all intents and purposes operate under the terms of the iGT UNC.

This is without prejudice to any licence change that Ofgem might introduce but it is to be hoped that the framework introduced under these Modifications will remain appropriate under a formal regime introduced by licence while being operative regardless of whether a licence obligation is introduced.

#### Scope of the Proposal

The intent of this Proposal is to transfer existing Code arrangements operated by each licensee into a common document. Therefore, with a few exceptions described below, the arrangements to be delivered under this Proposal are intended to be the same as those prevailing at present.

A document listing significant changes will be issued jointly within the next few days. This document will be designed to supplement the information provided in this Modification Proposal and to assist shippers and interested parties in their consideration of the Proposal but the document cannot be considered as a substitute for close consideration of the old code and the current texts provided.

The above being said, some of the headline changes to the terms in existing codes are:

- The AQ Procedures Document issued for the 2006 AQ Review has been partially incorporated into the body of the Code. As changes to AQ Procedures are subject to full Modification Procedures, it seemed more appropriate (and more in line with the UNC) if the key terms relating to interface with shippers, etc. be in the Code with the procedures limited to file formats and description. Even in its more limited form, the document remains subject to the full modification procedures.
- A bulk registration procedure for Confirmations at new large developments such as housing estates has been incorporated into Code. This is a formalisation of current procedures operated by all the licensees already but which is only alluded to in some of the Codes. This is intended to give greater visibility to a practice that shippers are already familiar with and is designed to assist in better governance of such procedures.
- Terms are included to recognise the existence of nested systems.
- Rudimentary changes to the Modification Procedures to enable them to function on a common basis. As they stand, they do however, incorporate a proposal that has been decided and implemented with regard to one of the Codes relating to timing of implementation of a Modification following the Authority's Approval. The text used here has been adapted but is not identical to that provided by the Proposer and respondents are asked to consider if the proper intent has been captured.

#### Excluded from the Proposal

As already stated, the purpose of this Proposal is to introduce a single document which sets out common transportation provisions that does not materially change terms from current transportation arrangements operated by each licensee. There are currently extant some Modifications that are yet to be Implemented for some or all the Codes. The bulk of these fall into two categories:

- NExA incorporation. Many of the principal terms of Annex A of the NExA were already included in the ESP Code and are so replicated in the iGT UNC. However, some of the terms would have introduced terms at variance with the NExA and these changes are set out in the Transition Document for delayed implementation once the NExA issues are resolved. However, it must be stated that wider resolution of the NExA terms is almost certainly required.
- Nested CSEP issues. If positive decisions are made with respect to these Proposals, which are all still following the modifications process then it is intended that the relevant terms will be included in the Transition Document if the Authority decisions are made prior to submission of an FMR for this Proposal. However, proper management of nested CSEPs will almost certainly require new and different solutions. This Proposal cannot resolve such issues but it does make future resolution easier to manage.

## **The Proposal**

Each Licensee proposes to withdraw the full text of its network code and to replace that text with the text provided in the documents that accompany this proposal.

With regard to the licensees GTC, GPL and UGI it is proposed to replace the text of the current set of bilateral but commonly amendable agreements (which is how their Codes are formulated) and to replace them with the texts provided and additionally with texts that emulate the Framework Agreements commonly used by other licensees (these texts also provided).

## **How will the proposal operate?**

This section should explain, specifically, how the proposal will change the operation of the Network Code.

Each Licensee proposes to withdraw the full text of its network code and to replace that text with the text provided in the documents that accompany this Proposal. The structure of the proposed arrangements will be the same as that utilised for the UNC, i.e. each licensee will operate under the terms of a short-form network code which will incorporate (with or without modification) the iGT UNC.

The basis of the iGT UNC text is the current ES Pipelines Network Code but changes appropriate to operation as a code for several Pipeline Operators have been made and these are highlighted.

The short-form code will set out any additional terms to be applied to those in the iGT UNC, any terms to be disapplied, and any terms that are to operate differently. The short-form code will satisfy for each licensee its current obligations under standard condition 9 of the GT licence.

The governance arrangements will be set out within the iGT UNC and will allow for the Modification Procedures currently operated by all iGTs to be processed on a common basis while allowing Modification also to individual short-form codes. At this stage the Modification procedures are designed to be as close as possible to current arrangements and this is in line with the requirements of this proposal that transportation arrangements should not be materially changed by Implementation of this Proposal.

For Modifications that are Approved by the Authority with respect to existing Codes but which are not Implemented at the date the FMR is submitted to the Authority a Transition Document is included, which is part of the iGT UNC that includes terms where implementation is deferred. Modifications for which FMRs have been submitted to the Authority with legal text at the time the FMR for this Proposal is submitted will also be included in the transition Document but on a provisional basis. The transition Document will include appropriate triggers for Implementation should such Proposals be Approved.

## **Facilitation of the relevant objectives**

*How this proposal will, if implemented, better facilitate the "code relevant objectives", as defined in Condition 9 of the Gas Transporters Licence*

*(a) the efficient and economic operation by the licensee of its pipe-line system;*

By combining the governance arrangements of network code with other iGTs the cost can be shared, which is more economic and efficient than the current individual arrangements.

*(b) so far as is consistent with sub-paragraph (a), the efficient discharge of its obligations under this licence;*

Combined governance arrangements and common transportation terms more efficiently discharge the licensee's obligations under Condition 9 of the licence to provide a network code and modification rules.

*(c) so far as is consistent with sub-paragraphs (a) and (b), the securing of effective competition between relevant shippers and between relevant suppliers;*

Offering a single text and modification procedure for the bulk of transportation arrangements of the iGTs jointly making this Proposal will reduce the compliance and operational cost for shippers in this area, which will facilitate competition in shipping and supply. A single text will also enhance transparency for shippers by making the text more easily accessible.

It should be noted that each licensee can operate separate terms to the extent it wishes to under the terms set out in its short-form code. Therefore innovation and diversity can be facilitated, which has the potential to facilitate competition in shipping and supply.

*(d) so far as is so consistent, the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers' licences) are satisfied as respects the availability of gas to their domestic customers,*

Not applicable

## **Legal Text**

*Wherever possible, a proposal should contain proposed draft legal text to reflect how the Network Code would change if the proposal were implemented.*

The following documents are common to all Proposals and form part of this Proposal:

iGT UNC Document Parts F to M Version 1.0 (dated 30.11.06)  
iGT UNC Document Parts A to E Version 1.0 (dated 30.11.06)  
iGT UNC Transition document Version 1.0 (dated 29.11.06)  
iGT UNC AQ Procedures Document (Revision 0)

The following documents form part of the Proposal of the relevant licensee:

ESP short form code Version 1.0 (dated 29.11.06)  
ESPC short form code Version 1.0 (dated 29.11.06)  
ESPN short form code Version 1.0 (dated 29.11.06)  
ESPP short form code Version 1.0 (dated 29.11.06)  
GPL short form code Version 1.0 (dated 29.11.06)  
GPL Framework Agreement  
GTC short form code Version 1.0 (dated 29.11.06)  
GTC Framework Agreement  
GUC short form code Version 1.0 (dated 29.11.06)  
IPL short form code Version 1.0 (dated 30.11.06)  
QPL short form code Version 1.0 (dated 30.11.06)  
SSE short form code Version 1.0 (dated 30.11.06)  
UGI short form code Version 1.0 (dated 29.11.06)  
UGI Framework Agreement

All documents are, of course, subject to change if appropriate following consultation or following the implementation of any licence changes. The first two documents are change-marked against the current ESP Code (and the AQ Procedures Document is change-marked against that issued by ES Pipelines Ltd).

