

Independent Gas Transporters Network Code Governance

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Overview:

The independent Gas Transporters ("iGTs") are seeking greater alignment of their transportation arrangements by creating a single Uniform Network Code (UNC). Ofgem supports this initiative. This document provides our conclusions following the December 2006 consultation on modifications to the Gas Transporters licence which we considered necessary to facilitate the effective introduction of an iGT UNC.

Concurrent with the publication of this document, Ofgem will give notice under Section 23(3) of the Gas Act 1986 of our proposal to modify Standard Condition 9 of the GT licence. A copy of that notice and our final proposals for the GT licence modification are attached to this document.

Standard Condition 9 of the GT licence is not in effect for the NTS operator and DN operators. Therefore the proposals contained within this document, if implemented, will not apply to those licence holders.

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Context

Each Gas Transporter (GT) is required to enter into transportation arrangements that comply with its network code; a document it is obliged to produce under the terms of its GT licence. In 2005, following the sale by National Grid of four of its eight gas distribution networks (GDNs), National Grid and the large transporters operating the GDNs entered into a UNC. Over recent months, independent gas transporters (iGTs) have been developing, in consultation with shippers a single code arrangement for all iGTs, namely, a uniform network code (UNC) for iGTs.

Ofgem is committed to the principles of better regulation and is continually seeking to improve efficiency and effectiveness within the GT industry. As part of our simplification plan, contained within Ofgem's Corporate Strategy and Plan 2006–2011, we identified an iGT UNC as a potential means of reducing the unnecessary burden imposed by the need for stakeholders to deal with multiple documents. This conclusions document and the accompanying notice under Section 23 of the Gas Act 1986 is the next stage in the consultation process launched in July 2006 and focuses on proposed modifications to the standard conditions of the GT licence in facilitation of such an iGT UNC.

Associated Documents

- Initial consultation letter: independent Gas Transporters Network Code governance, 21 July 2006 (Ref No. 128/06)
- Way forward letter: independent Gas Transporters Network Code Governance, 24 November 2006
- Independent Gas Transporters' Network Code Governance, 15 December 2006 (Ref No. 216/06)

E-Public Register

Each of the current licence conditions referred to in this document can be found on the E-Public Register on Ofgem's website. For ease of reference, links to the most relevant licence condition are as follows:

- SLC 9 (consolidated) "Network Code" is available at:
http://195.12.224.140/document_fetch.php?documentid=4311
- SSC A11 (consolidated) "Network Code and Uniform Network Code" is available at: http://195.12.224.140/document_fetch.php?documentid=6547
- SSC A12 (consolidated) "Joint Office Governance Arrangements" is available at: http://195.12.224.140/document_fetch.php?documentid=6548

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Summary

Introduction

This document sets out Ofgem's conclusions following its recent consultation on proposed licence modifications to facilitate the introduction of an iGT UNC. It is envisaged that these arrangements will be similar to those in place for the large Gas Transporters, i.e. each licensee will retain its own Network Code but the substantive provisions will be included by reference to the iGT UNC.

Licence modifications

Ofgem's July 2006 consultation on iGT Network Code governance established that there was widespread support for modifications to the GT licence requiring the development and implementation of an iGT version of the UNC. The December 2006 consultation therefore focused on the proposed drafting for a modified Standard Condition 9 '*Network Code*' of the GT licence.

Having considered responses to our July consultation letter, we were of the view that for the UNC arrangements to be successful, both in terms of ensuring that all iGTs become signatories and that the UNC doesn't simply duplicate the provisions of their own Network Codes as required under licence, the UNC would itself need to be backed by appropriate licence conditions. This would oblige iGTs, both present and future; to accede to and comply with an iGT UNC that facilitates the achievement of appropriate objectives.

In developing the initial proposed modifications to the GT licence, as detailed in Chapter 1, we have had three key objectives:

- Introduce a licence framework to support and facilitate the iGT UNC, drawing upon lessons learned from the introduction of the existing UNC, with minimal further change;
- Harmonise and strengthen the different arrangements which have previously applied to iGT network code modification procedures, particularly recognising the multi-party nature of the iGT UNC; and,
- Consistent with the principles of Better Regulation and projects such as the Supply Licence Review, consider which licence provisions could suitably be modified or 'switched off', particularly if their terms are adequately provided for in new licence conditions introduced to facilitate the iGT UNC.

Our final proposals for the modification of Standard Condition 9 of the GT licence therefore seek to strike an appropriate balance between these objectives.

Modification rules

The December document set out our thinking on a framework for the modification rules as part of our initial proposed licence conditions, together with some of our thoughts on what must be achieved as part of any transition to the iGT UNC arrangements.

We note that the text of the modification proposals, submitted to the Authority as part of the Final Modification Reports on 9 March, included substantive additions to the modification rules. We have not sought to comment further on the modification rules, or indeed any other aspect of the iGT UNC itself, as part of this document but will do so as part of our decision on whether to direct the implementation of those modification proposals.

Way forward

Whilst we will endeavour to operate our own licence modification consultations in tandem with those of the iGTs on their Network Code modification proposals, this will not fetter the discretion of the Authority or the timing of the exercise of it in respect of its decisions, either on the proposed licence modifications, or the network code modification proposals.

1. Introduction

This chapter sets out the background to this document and the legal framework against which the proposed licence modification has been developed. It also sets out a summary of the chapter structure of the document.

Background

1.1. In addition to the Large Transporters there are currently 24 transportation licences held by 14 iGTs, though many of these are no longer active in the market, or are storage operators with the licence conditions relating to their Network Code turned off. Each of the remainder produces a network code setting out its transportation arrangements, in accordance with its licence.

1.2. There are in excess of 800,000 consumers connected to iGT networks. We are aware that the differing processes and procedures applied by iGTs have cost and efficiency implications for shippers operating on those networks, in particular during customer switching. In addition we are also aware of concerns raised by energywatch in relation to supplementary charges which are levied by some gas suppliers against customers on iGT networks. It is considered by some gas suppliers that the supplementary charge is necessary to cover amongst other things the extra administrative costs of providing a service to these customers.

1.3. Whilst shippers have in the past sought to harmonise the disparate iGT processes, this task has not been aided by the equally disparate modification rules applying to the respective iGT Network Codes.

Collective Licence Modification procedure

1.4. Whilst the licence modifications to facilitate the introduction of an iGT UNC have already been subject to several consultations, as set out in the context section of this document, the statutory consultation process begins when we publish a notice under Section 23(3) of the Gas Act 1986 proposing a modification. This notice (which has been appended to this document for ease of reference and issued to relevant licence holders) will be published on the licensing modifications page of Ofgem's website.

1.5. The statutory notice sets out:

- the modification that Ofgem proposes to make and the effects of the proposed modification;
- the reasons that the modification is proposed, and;
- the time (not less than 28 days) within which any representation or objection about the proposed modification can be made.

1.6. We will consider any representations or objections received within the time period given in the statutory notice proposing the modification and whether, in light of those objections or representations, it is appropriate to continue with the proposal to make a collective licence modification.

Structure of this document

1.7. The remainder of this document is structured as follows:

- Chapter 2 provides a summary of responses to the December 2006 document;
- Chapter 3 explains the next steps, including our formal notice under Section 23;
- Appendix 1 lists the respondents to the December 2006 consultation and provides a rationale for the variations to the licence modification proposals;
- Appendix 2 includes, for ease of reference, copies of the Section 23 licence modification notice and schedules;
- Appendix 3 provides an overview of the Authority's powers and duties;
- Appendix 4 provides a glossary of the key terms used in this document;
- Appendix 5 provides an opportunity to give us feedback on the manner in which we have conducted this consultation.

2. Summary of responses

This chapter summarises respondents' views to the key questions raised in Ofgem's December consultation document on the introduction of an iGT UNC. The responses can be found in full on Ofgem's website www.ofgem.gov.uk and are also available from Ofgem's library. Specific comments on the proposed licence modifications are summarised in Appendix 1.

Introduction

2.1. As with the earlier consultations, there was broad support for the proposal to develop a UNC for iGTs. However, there were differences of opinion over the process under which the draft code has been developed, with shippers generally concerned that the iGTs have driven this via the modification process taking an existing code as a starting point, rather than engaging in open workshops and starting with a blank sheet.

Licence modification

Do you agree that Standard Condition 9 (SLC 9) should replicate, as far as appropriate, the provisions of standard condition A11?

Respondents Views

2.2. The majority of respondents agreed that the proposed licence condition should replicate the existing UNC provisions, both for reasons of pragmatism and to ensure consistency of approach. Some shippers agreed that the iGT licence should replicate that of the large transporters, stating a long term aspiration that iGTs accede to the existing UNC. Others suggested that the modifications should be kept to the minimum required to facilitate the introduction of the iGT UNC.

2.3. One respondent commented specifically on the mechanics of the licence, stating a preference for SLC 9 to be modified rather than introduce a new special condition.

Conclusion

2.4. We remain of the view that the arrangements for the iGT UNC should replicate, as far as practicable, those of the large GTs UNC. This should benefit shippers in particular, who will be familiar with those arrangements, as they operate across all networks. However, we have taken the opportunity to remove some of the provisions which we do not consider absolutely necessary, and in other instances have sought to clarify the drafting of those that are retained.

Do you consider that standard condition 9 should additionally provide for pre-determined implementation dates for successful modification proposals and the creation of a panel to oversee the iGT UNC modification procedure?

Respondents Views

2.5. There was widespread support for the creation of an iGT UNC panel to oversee the process, and this has subsequently been written into the draft modification rules. However the full extent of the panel's role may need to evolve once the code is in operation.

2.6. There were mixed views on whether the licence condition should include reference to an implementation date for all future modifications to the iGT UNC, which could be directed by the Authority. Whilst several respondents agreed that this can no longer be left to the discretion of individual iGTs, there was support for this being consulted upon as part of a modification proposal and catered for within the modification rules, perhaps by panel determination. One respondent was concerned that the inclusion of an implementation date in the Final Modification Report (FMR) could prompt systems assessments etc, and increase costs.

Conclusion

2.7. Our view is that the ability to fix an implementation date may be necessary, given the disparity between iGTs in terms of size and track record of progressing and implementing modifications. The proposed implementation date could reasonably be included in the FMR, which would additionally prompt any systems assessments earlier in the process and form part of a panel discussion and determination to ensure it is achievable by all.

Do you consider that Ofgem should take this opportunity to remove provisions which are unnecessary and/or could appropriately be provided for as part of the modification rules and if so, which?

Respondents Views

2.8. The majority of respondents agreed that the licence should only include necessary obligations, though some respondents again preferred consistency with the large GT licence. There was some support for removing licence conditions which are already backed off in the modification rules.

Conclusion

2.9. Whilst we have sought to achieve consistency with the equivalent licence conditions for the large GTs, we have taken the opportunity to remove the provisions which we did not consider to be entirely necessary. These are detailed further in Chapter 3 and in Appendix 1.

2.10. Where we have retained a provision, we have sought to remove superfluous text and improve the clarity of the drafting overall. However, we are also mindful that this project seeks only to facilitate the introduction of an iGT UNC. We have not sought to fundamentally change the nature of SLC 9 and have avoided changes which may not be in keeping with the rest of the licence.

Do you consider that the proposed licence modification should ensure the rights of third parties to participate in the Network Code and/or the iGT UNC modification procedures?

2.11. Eight respondents considered it appropriate that the iGT UNC cater for Third Party Proposals ("TPPs") in the same way as the UNC, which is currently restricted to information related modification proposals. Two respondents, including energywatch considered that the scope of TPPs should be widened but did not provide a specific alternative. Only one respondent stated that they could see no obvious benefit to this, commenting that it is unclear why a non-party should have rights to amend the Code. However, the respondent recognised that this right has been included within the proposed iGT UNC modification rules and did not suggest that it should be removed.

Conclusion

2.12. We consider that consumer representation in the iGT sector is a key element of the proposed iGT UNC framework. The scope of such proposals is a matter for the modification rules rather than the licence, as is the case with other industry codes such as the large GTs UNC and the Balancing and Settlement Code.

Modification Rules

Should the ability of Third Parties to raise modification proposals be restricted in the same way as in the large gas transporter's UNC?

2.13. The majority of respondents who felt that third parties should have the ability to raise modification proposals to the iGT UNC also considered that this should be limited to information related modifications.

Conclusion

2.14. As noted above, we consider that consumer representation is an important part of the framework. We note that the modification rules provided as part of the FMR restrict third party participation to information related modifications in much the same way as large GTs UNC. To the extent that code parties wish to broaden the scope of consumer representation, they have the ability to raise subsequent modifications enabling this. Subject to our direction to implement the modification proposals to introduce the iGT UNC, we will subsequently designate a person or body to be a third party participant for the purposes of the iGT UNC.

Other Views

Do you believe the timetable is reasonable?

2.15. At the time of publication of the December document the iGTs were intending to submit their modification reports to the Authority by 12 February 2006, in facilitation of a 2 April 2007 implementation date for the iGT UNC.

Respondents Views

2.16. Views were mixed on whether the published timetable was appropriate, though it was in any case superseded when the iGTs extended the consultation period on the draft iGT UNC, at shippers' request. Whilst some respondents are keen to ensure that the iGT UNC is implemented as quickly as possible, some shippers feel they have not had sufficient time to consider the detail of the drafting.

Conclusion

2.17. The project is now looking to implement the iGT UNC on 1 May 2007, rather than April 2007, which some parties still considered to be challenging, but achievable. We have now received the modification report from each of the active iGTs seeking to modify their individual Network Codes such that it incorporates by reference the iGT UNC. We therefore consider the revised implementation date of 1 May 2007 should, subject to the Authority's decision on the licence and Network Code modifications, be achievable.

The title of the document

2.18. In the December document we noted that the code the iGTs were working on had become known as the iGT UNC without consideration as to whether this could be confusing to interested parties and/or an alternative title be more appropriate. The two respondents who specifically commented were happy with the name, with one stating that it clarifies the intent of the code.

2.19. For the purposes of the licence modification proposals we have retained reference to the iGT UNC.

Appeals

2.20. One respondent queried whether the Electricity and Gas Appeals (Designation and Exclusion) Order 2005 ("the order") would need to be amended, in order for there to be a right of appeal to an Ofgem decision on a modification which goes against the recommendation of the iGT UNC Modification Panel. Decisions on iGT Network Codes are not currently subject to appeal as they are not designated under the order.

2.21. We understand that the Department of Trade and Industry ("DTI") will shortly be consulting upon amendments to the order, potentially to include the Distribution Connection and Use of System Code, which Ofgem designated in October 2006. We recognise that accountability is an important principle of better regulation and would welcome a consistent approach across the various industry codes. We have therefore contacted the DTI to raise awareness of the iGT UNC and allow it to be factored into its considerations. Ofgem sees no reason why decisions on iGT UNC proposals should not also be subject to the right of appeal.

3. Variations to the licence modification proposals

Appendix 1 sets out in detail where we have sought to vary the licence modification proposals from those published in December 2006. This chapter does not seek to repeat the content of Appendix 1, but provides further rationale to the substantive amendments to our December 2006 proposals.

3.1. Throughout this document we refer to the proposed document as being the iGT UNC; however for the purposes of Standard Condition 9 it will be referred to simply as the UNC, as iGT is not itself a defined term.

Standard Condition 9

3.2. As with the December document, for the purpose of clarity and in order to allow comparison with the existing Standard Special Condition A11¹, comments have been grouped under the same headings.

Transportation Arrangements

3.3. In December we proposed to insert two new relevant objectives into SLC 9. The first of these recognises that the iGT UNC covers a multi GT environment, with the second relating to the promotion of efficiency in the implementation and administration of the iGT UNC and/or the individual Network Codes.

3.4. We also noted that Paragraph 2 of SSC A11 provides that in relation to any proposed modification to the network code modification procedures, a reference to the relevant objectives is a reference to the requirements under paragraphs 9 and 12 of that condition. These paragraphs set out the mechanisms by which the UNC and the individual Network Codes may be modified. Therefore, where a proposal seeks to modify the modification procedures themselves, consideration should be given to whether it would further the intent of paragraphs 9 and 12 rather than the relevant objectives.

Respondents Views

3.5. One respondent raised concerns with the proposed relevant objective relating to multiple networks. They noted the problems with the existing Connected System Exit Point ("CSEP") Network Exit Agreements ("NEXAs") between the iGTs and the upstream large GTs and considered that any relevant objective in this area would be too wide ranging and may place an undue burden upon iGTs.

¹ Standard Special Condition A11: 'Network Code and Uniform Network Code'

Conclusion

3.6. We consider that it is necessary to include a multiple network context into the relevant objectives in order that proposals can be considered holistically, rather than focusing upon their impact on a given network. Whilst we note the respondent's concern, we do not consider it applicable to proposed relevant objectives, which relate only to networks of relevant GTs (i.e. the iGTs) and not the large GT networks. We have sought to clarify this by defining relevant gas transporters for the purpose of this condition.

3.7. We also considered that it would be beneficial to introduce a relevant objective pertaining specifically to the administration of the iGT UNC. Under the existing UNC this relevant objective has been used primarily in the assessment of governance modification proposals, particularly to the UNC modification rules. We consider it would serve a useful equivalent function under the iGT UNC.

3.8. We do not consider that the equivalent of SSC A11 paragraph (2) is necessary, given the inclusion of the new relevant objective of promoting efficiency in the implementation and administration of the network code and/or iGT UNC outlined above. We also consider that any proposal which puts in place procedures referenced in the equivalent of paragraphs 9 and 12 would fall under relevant objective (c), the efficient discharge of the licensee's obligations under its licence. Therefore, we do not propose to introduce the equivalent of SSC A11 (2) into SLC 9.

Network Code

3.9. Under SSC A11 (4), a company which holds more than one relevant GT licence may, with the consent of the Authority, prepare a single network code with respect to the pipelines to which those licences relate. Mindful of the level of consolidation that has occurred within the iGT sector, we considered that such a provision with SLC9 could reduce the administrative burden upon those companies which currently operate more than one (albeit in some cases substantively identical) network codes.

Respondents' Views

3.10. There were no specific comments on this section.

Conclusion

3.11. We have removed the requirement to furnish the Authority with a copy of the network code, as we considered this to be unnecessary given the later requirements around publication.

3.12. We have included the equivalent of SSC A11 (4) as we believe this may allow for further efficiency gains, where a single company may hold several short form Network Codes. Although there were no specific comments on this section, we

understand from discussions with the iGTs in particular at the Ofgem seminar of 17 January 2007 that such a provision would be welcome.

iGT Uniform Network Code

3.13. This aspect of the proposed SLC9 would give effect to the iGT UNC for the purposes of the licence, and the regulatory regime as a whole. Again, we sought to align this paragraph as closely as possible with that under SSC A11. In December we noted that the drafting effectively requires the relevant GTs to have prepared a document prior to the condition becoming effective. Therefore the relevant GTs would be immediately in breach of the condition, unless the Authority consents in writing to the iGT UNC being completed at some later date.

Respondents' Views

3.14. One respondent considered that this obligation should remain as drafted, as this would prevent any undue delay in the development and implementation of the iGT UNC. Another commented that it does not appear sensible to include a requirement which will put the iGTs immediately in breach of the condition.

Conclusion

3.15. On 9 March 2007 we received modification reports from each of the active iGTs seeking to modify their individual Network Codes such that it incorporates by reference the iGT UNC. This includes a final draft version of the iGT UNC itself. Whilst nothing in this document can fetter the discretion of the Authority with respect to its decision on whether to direct the implementation of those modification proposals, we note that the iGTs have themselves been a driver behind this project and are keen to see the iGT UNC implemented. We therefore do not consider it is necessary to include within the licence a requirement to have the document prepared by a given date.

3.16. We have removed references to subsequent paragraphs (previously paragraph 8) which have been deleted, as described below.

3.17. As with the individual Network Codes, we have removed the additional obligation to furnish the Authority with a copy of the iGT UNC, given the provisions regarding publication elsewhere.

Network Code Modification Procedures

Third Party Representation

3.18. As noted in Chapter 2, we have included a provision within the licence providing for third party participation.

Respondents' Views

3.19. As discussed in Chapter 2, the majority of respondents considered it appropriate that the iGT UNC cater for third party proposals in a similar fashion to the large GTs UNC.

Conclusion

3.20. We consider that the introduction of consumer representation into the iGT sector is a significant improvement. We note that the modification rules provided as part of the draft iGT UNC establish the same rights for third parties as the large GTs' UNC. Although the scope for such proposals may be limited to information release, this information could reasonably relate to consumer issues rather than the market orientated modifications that energywatch has so far proposed to the UNC².

Modification Rules

3.21. Following on from the Authority's decision to accept modification 679³, which inserted the former Transco modification rules into its Network Code, SSC A11 (8) now specifies that unless the Authority consents otherwise, the modification rules shall be contained in the UNC. In practice, the modification rules of each iGT are also now included within their Network Codes, either by design or as a result of modifications. Given this, we consider that the substantive modification rules of the iGT UNC should be contained within the iGT UNC albeit subject to the framework set out in the proposed amended SLC9.

3.22. However, adoption of the drafting used in SSC A11 (8) would also require that the modification rules of the individual network codes should also be provided as part of the iGT UNC. We note that there have been several modifications to iGT network codes recently seeking to achieve greater harmony between the various modification rules, and in turn a more consistent and coordinated approach to industry wide change. We also note that unlike the 'short form' Network Codes of the large GTs it is anticipated that the iGTs may retain some substantive provisions within their own Network Codes, at least insofar as it does not prove possible to harmonise certain arrangements prior to the iGT UNC coming into effect. We therefore sought views on whether this provision is appropriate for the iGT sector, rather than each licensee having discretion to develop and operate its own modification procedures in respect of its Network Code.

² UNC modification 006: 'TPP - publication of near real time data at UK sub-terminals (formerly Network Code proposal 727)' and UNC modification proposal 104: 'TPP - storage information at LNG importation facilities'.

³ Network Code modification 679: 'Formally include the Network Code Modification Rules within the Network Code'.

Respondents' Views

3.23. Each of the three respondents who commented on this provision considered that it was unnecessary. One suggested that proposals to an individual Network Code should be visible to all parties as it may have wider impacts than the proposer originally envisaged. Another suggested that the modification rules should be the same in order to maintain the integrity of the iGT UNC. However, they commented that the panel should not unreasonably delay modifications to the individual Network Codes.

Conclusion

3.24. Given the creation of the Joint Governance Arrangements ("JGA") to administer the modification of the iGT UNC and individual Network Codes, we do not consider there would be any benefit in a licensee progressing modifications to its Network Code via an alternative means. In order to simplify the arrangements and guard against future fragmentation we have not included within our final proposals an option to develop separate modification procedures.

3.25. Given the above we also consider that the provisions contained within paragraph 12 of the December proposals may be superfluous. They provide that subject to other paragraphs of the condition, the modification procedures may treat Network Code modifications differently to iGT UNC modification procedures.

3.26. We consider that it is clear that the modification procedures may need to differ as between a Network Code modification and an iGT UNC modification. For instance, the licence itself establishes that the parties who have a right to raise modifications will differ, with relevant gas transporters being restricted to the iGT UNC and their own Network Codes, rather than those of other licensees. While paragraph 12 specifically allows for such differentiation, its removal does not preclude it.

3.27. Whilst paragraph 9 of the December proposals allows for the making of alternative modification proposals, it goes on to state "except in a case where the Authority otherwise directs in writing". Such drafting is currently used in SSC A11 (9). Subject to the conditions already set out in licence and as may be provided for within the modification rules, we do not consider it will be necessary to restrict the right of parties to raise alternative proposals to the iGT UNC. We have therefore removed this section of text from our final proposals.

iGT UNC Panel

3.28. Whereas some industry codes, for instance the Distribution Connection and Use of System Agreement (DCUSA)⁴ explicitly provide for such a panel to be created, we note that SSC A11 does not. Instead, the UNC modification panel is constituted entirely in accordance with the UNC modification rules. It should be noted however,

⁴ See: http://195.12.224.140/document_fetch.php?documentid=8378

that the UNC and its associated modification rules were to a large extent carried over from the prevailing NGG Network Code arrangements, which included a panel. In contrast, there is nothing currently resembling a modification panel in the iGT sector.

3.29. Our initial view is that it would be appropriate for the standard licence conditions to require the establishment of an iGT UNC panel, but for the constitution and other arrangements of that panel to be set out in the iGT UNC modification rules. However, in line with the principles set out above, if this is adequately provided for within the modification rules from the outset, further prescription within the GT licence may be superfluous.

Respondents Views

3.30. As mentioned in Chapter 2, there was widespread support for the creation of an iGT UNC panel to oversee the modification process, and this has subsequently been written into the iGT UNC modification rules.

Conclusion

3.31. We welcome the establishment of an iGT UNC panel within the iGT UNC modification rules. However, we consider that the full extent of the panel's role may need to evolve once the code is in operation. We have not sought to prescribe the role of the panel, other than to specify that it should be the body which provides the Authority with a recommendation on whether or not any proposed modification should be made. Previously, these recommendations were made by the relevant GT.

3.32. At this stage we have no particular views on the appropriate constitution for the iGT UNC panel, subject to it remaining balanced and able to discharge its functions effectively.

Implementation Dates

3.33. As noted in the December document it is commonplace in other industry codes, particularly those in electricity, for modification proposals to include an implementation date, which is itself subject to consultation. Therefore, when directing that the modification be made, the Authority may also direct when it is to be made.

3.34. This has differed in the gas industry, where implementation dates have been largely at the discretion of the relevant GT(s). We noted that in the case of iGTs this has led to concerns among shippers, about modifications not being given full and timely effect. We also raised a concern that change should not necessarily be made at the pace of the slowest, or that investment made by other parties in order to achieve agreed implementation dates be put at risk. We considered that to some extent these concerns could be addressed in the standard licence conditions, though we acknowledged that the iGT UNC panel may also have a role here.

Respondents Views

3.35. As noted in Chapter 2 there was mixed opinion from respondents on whether implementation dates should be a requirement within the GT licence. Although several respondents agreed that this can no longer be left to the discretion of individual iGTs, there was concern that a requirement within the licence may prove inflexible.

Conclusion

3.36. We have inserted a requirement for the modification report submitted to the Authority to contain an implementation date. The ability to fix an implementation date for future modifications may be necessary, given the disparity between iGTs in terms of size and their track record of implementing modifications. We note that the modification rules now include a provision for the iGT UNC panel to recommend an implementation date, which will be included in the modification report submitted to the Authority.

3.37. We recognise that there may be instances where, for whatever reason, an implementation date which has previously been agreed by the iGT UNC panel and directed by the Authority may subsequently prove impracticable. Therefore the licence will also contain a provision allowing the implementation date to be modified, with the Authority's consent.

Modification of Network Code and the iGT Uniform Network Code

3.38. Most of the provisions within this section remain substantively the same as the December proposals, though we have removed unnecessary text where we consider this will aid clarity and improve the general understanding of the provisions.

Publication

3.39. In December we suggested that we would remove the existing obligation for the iGTs to produce a summary of their Network Codes. However, whereas the licence has traditionally required a copy of their Network Codes to be made available to any person who asks for one, subject to a reasonable charge, we proposed the Network Codes and the iGT UNC itself should be made freely available on a website.

Respondents' Views

3.40. Respondents generally agree that it was unnecessary to publish a summary of the iGT UNC and individual Network Codes.

Conclusion

3.41. We agree with those respondents who suggested that there is little benefit in producing a summary of the Network Codes and of the iGT UNC. In particular, it is anticipated that the Network Codes will be very short documents, as they will incorporate substantive provisions by reference to the iGT UNC. We are also unconvinced of the benefits of requiring a summary of the iGT UNC, particularly without further details around the content of such a summary and ongoing version control. Therefore, we have not included this requirement within our final proposals.

3.42. We do not consider the requirement to make a copy of the Network Codes and the iGT UNC freely available on a website to be disproportionate. The publication of documents such as the large GTs UNC and the BSC on the internet has greatly improved the transparency of such documents and also led to efficiency gains, obviating the need for publication in hard copy. Moreover, we consider that this will ensure that parties are better able to keep up-to-date and not inadvertently be placed in breach by adhering to obsolete requirements. Beyond making the documents available to be downloaded by interested parties, we have no view at this stage on the functionality that should be offered and therefore consider that the iGTs should be able to discharge this requirement at minimal cost, perhaps even utilising an existing website.

3.43. As the licence already refers to the giving of adequate publicity (to modification proposals) we have amended the drafting to use this term rather than requiring that the website address shall be "disseminated to such interested parties".

Determinations by the Authority

3.44. These provisions remain substantively the same as the December proposals, though we have again sought to streamline the drafting.

Joint Governance Arrangements

3.45. In the December document we proposed to introduce a new Standard Licence Condition ("SLC") to require the establishment of joint governance arrangements for the iGT UNC. An equivalent provision within the Standard Special Conditions⁵ of the large GTs licence introduced as part of the GDN sales process established the Joint Office of Gas Transporters, which now administers the UNC modifications process.

3.46. We had previously intended to include these provisions within Standard Condition 10 of the GT licence, which is currently unused. However, although SLC 10 is not used, it is considered to exist within the GT licence and has not been switched off for the large GTs. Therefore, if we were to introduce text into SLC 10, it would apply to all GT licence holders, at least until such time as it is switched off.

⁵ Standard Special Condition A12: 'Joint Office Governance Arrangements'.

3.47. Following the consideration of responses, we are of the view that the necessary provisions which we had originally intended to include within the proposed SLC 10 can more appropriately be incorporated into SLC 9, as explained below. In particular, SLC 10 would simply have prescribed the means of discharging the requirements of SLC 9. This also avoids the introduction of an entirely new condition, which would otherwise need to be immediately switched off for those licensees who are not iGTs (i.e. the large GTs and storage-only operators).

Funding of the Joint Governance Arrangements

3.48. In December we suggested that a provision within the licence would ensure that all iGTs contribute to the administration of the iGT UNC and not have opportunity to freeload. However, there was not strong support for the licence condition to include a funding requirement. Only one respondent considered that this would ensure new entrants are fully aware of their financial commitments. One respondent suggested that the Association of iGTs ("AiGT") should be able to deal with these requirements, while another noted that the licence must be flexible and proportionate. One respondent specifically commented that the operation of the JGA should not be prescribed by Ofgem.

3.49. We do not consider that there is currently a case for the funding arrangements of the JGA to be prescribed in licence. Instead, we consider that the iGTs should be able to agree an equitable allocation of costs between them. We note the suggestion that this could be facilitated through the AiGT. Whilst we have no particular view on the mechanics that the iGTs use to achieve consensus, we would note that the method for allocation should be equitable and transparent, in particular to all contributing parties and potential new entrants to the iGT sector.

Modification of the JGA

3.50. Although we recognise that modifications to the JGA of the large GTs currently require the consent of the Authority, we do not consider that there is a case for extending the Authority's remit to the iGT UNC. Therefore, the requirement previously consulted upon as proposed SLC 10 paragraph 3 is not part of our final proposals. We consider this is consistent with the principles of better regulation and Ofgem's general desire to adopt a 'lighter touch'.

3.51. Paragraph 4 of the proposed SLC 10 would, consistent with the equivalent provisions in SSC A12, simply clarify that where the licensee has utilised the JGA to carry out the functions specified within SLC 9, it will be considered to have complied with that condition. On reflection we do not consider this provision to be necessary. A licensee can choose to appoint an agent to carry out any of its obligations under licence, albeit it will remain responsible for ensuring they are discharged. We have decided not to include this paragraph in our final proposals.

Miscellaneous

3.52. We have included further definitions which may add clarity for the purposes of SLC 9. In particular, we have added a definition of relevant Gas Transporter to clarify that the requirements around an iGT UNC will apply only to the iGT sector and not to those holders of the GT licence who may have SLC 9 turned off, for instance the NTS operator, DN operators and storage operators.

Supply Licence Review

3.53. In July 2006 we consulted on our proposals to modify the standard conditions of gas and electricity supply licences as part of the Supply Licence Review. In December 2006 we consulted on further proposals to modify the licences.

3.54. In both consultations we proposed to remove paragraphs 3 to 6 of standard licence condition (SLC) 32A (Security of Supply – Domestic Customers) of the gas supply licence. These standards are currently incorporated into the relevant objectives of the Network Code and the Uniform Network Code by reference to standard condition 32A. Therefore, if that modification is made, we consider that a consequential modification will be required to SLC 9 and standard special condition A11 (Network Code and Uniform Network Code) of the NTS and DN gas transporter licences.

4. Next steps

Timetable

4.1. Subject to the outcome of our proposals to modify Standard Condition 9 of the GT licence and the Authority's decision on the relevant Network Code modification proposals, the timetable for the completion of this project is as follows:

9 March – FMR received by Ofgem for proposals to replace the substantive provisions of the individual Network Codes, such that each code incorporates by reference the iGT UNC;

22 March –publish conclusions document and Section 23(3) notice of proposal to modify the GT licence;

23 April – deadline for any notices of objection under Section 23(7) by relevant licence holders to the proposed licence modifications (two additional days in recognition of Easter);

27 April – if appropriate, Ofgem approve Network Code modifications and direct the licence modifications;

1 May – licence modifications and iGT UNC come into effect.

Appendices

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Appendix 1 - Consultation Questions

List of Respondents

List	Name
1	EdF Energy
2	Energywatch
3	Envoy Asset Management
4	Eon UK
5	ES Pipelines
6	National Grid Gas
7	Npower
8	Scottish Power
9	Scottish and Southern Energy
10	The Gas Transportation Company
11	Wales and West Utilities

Summary of Responses

Responses received by Ofgem which were not marked as being confidential have been published on Ofgem's website www.ofgem.gov.uk. Copies of non-confidential responses are also available from Ofgem's library.

The following is a summary of those responses which were received to the specific questions as set out below.

CHAPTER: One

Question 1: Do you agree that standard condition 9 should replicate, as far as is appropriate, the provisions of standard special condition A11?

Question 2: Do you consider that standard condition 9 should additionally provide for pre-determined implementation dates for successful modification proposals and the creation of a panel to oversee the iGT UNC modification procedures?

Question 3: Do you consider that Ofgem should take this opportunity to remove provisions which are unnecessary and/or could appropriately be provided for as part of the modification rules and if so, which?

Question 4: Do you consider that the proposed licence modifications should ensure the rights of third parties to participate in the Network Code and/or the iGT UNC modification procedures?

CHAPTER: Two

Question1: Should the ability of 3rd parties to raise modification proposals be restricted in the same way as in the GDN's UNC?

CHAPTER: Three

Question 1: Do you consider the timetable [set out below] to be reasonable?

Overview

1.1. This appendix discusses, in detail, our proposals to modify the Gas Transporters licence. Some of our proposals have changed since the December consultation as a result of the responses received and our further consideration. In some cases they have been informed by the text contained within the FMR.

1.2. We have sought to clarify where proposals have been varied from the December consultation. These are denoted in this appendix by using the terms "RETAIN", "REDRAFT" or "REMOVE" for each of the relevant obligations in the left-hand column. We have not added any additional provisions.

1.3. A significant number of the provisions in the standard conditions of SLC 9 are materially the same as provisions in Standard Special Condition A11, albeit the numbering may differ. Where this is the case, we note that the provisions are "matched" in the left-hand column. Where this is not the case, we note that the provisions are "not matched".

1.4. In general, whilst we have sought to achieve consistency between SLC9 and SS CA11 we have taken the opportunity of redrafting some of the conditions where we considered they could be made them simpler, clearer and easier to understand. A marked up version showing the differences between our December and final proposals is available on request, please email industrycodes@ofgem.gov.uk

Standard Condition 9. Network Code and Uniform Network Code

SLC: 9(1) Obligation: The licensee shall establish transportation arrangements, in respect of matters other than those to which Standard Conditions 4 (Charging Gas Shippers - General) and 4A (Obligations as Regard Charging Methodology) relate, which are calculated, consistent with the licensee's duties under section 9 of the Act, to facilitate the achievement of the following objectives –

(a) the efficient and economic operation of the pipe-line system to which this licence relates;

(b) so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters;

(c) so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

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

(e) so far as is consistent with sub-paragraphs (a) to (d), 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; and

(f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the [iGT uniform network code];

hereinafter referred to as the "relevant objectives".

RETAIN	Respondents' Views: One respondent was concerned that sub paragraph (b) is too wide ranging and may place undue burden on iGTs, particularly where data had to be transmitted between network operators.	Conclusion: Ofgem notes that this concern was raised in particular to data flows concerning the NExA agreements. Ofgem believes that this requirement is essential to
Matched		

ensure that any changes to the iGT UNC does not have a detrimental effect on the efficiency of any other relevant gas transporter network. We propose to retain this obligation.

SLC: 9(2)

Obligation: In relation to a proposed modification of the network code modification procedures, a reference to the relevant objectives is a reference to the requirements in paragraphs 9 and 12 of this condition (to the extent that those requirements do not conflict with the objectives set out in paragraph 1).

REMOVE

Respondents' Views: Respondents were not asked to comment directly on this paragraph.

Conclusion: We do not propose to introduce the equivalent of SSC A11 (2) into the iGT licence.

Not Matched

SLC: 9(3)

Obligation: The licensee shall, prepare a document (the "**network code**") setting out (together with the terms of any other arrangements which the licensee considers it appropriate to set out in the document):

(a) the terms of the arrangements made in pursuance of paragraph 1 save in so far as they relate to matters regulated by standard condition 4B (Connection Charges etc) or 4C (Charging Gas Shippers – Supplemental Connection Charges or are contained in such an agreement, or an agreement of such a class or description, as may be designated by the Authority for the purposes of this condition; and

(b) the network code modification procedures established pursuant to [paragraph 7] to the extent that such procedures differ from those set out in the [iGT uniform network code] following Authority consent pursuant to [paragraph 8]

and the licensee shall furnish the Authority with a copy thereof.

REDRAFT

Respondents' Views: Respondents were not asked to comment directly on this paragraph.

Conclusion: We propose to remove sub-paragraph b), ensuring the modification procedures will be part of the iGT UNC

Matched

SLC: 9(4)	Obligation: Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, it may apply to the Authority for written consent to prepare a single network code in respect of the pipe-line systems to which those licences relate, which consent may be granted subject to such conditions as the Authority may direct.	
RETAIN Matched	Respondents' Views: Respondents were not asked to comment directly on this paragraph.	Conclusion: We propose to retain this paragraph.
SLC: 9(5)	Obligation: The network code prepared by or on behalf of the licensee shall incorporate by reference the terms of the [iGT uniform network code] except where the Authority consents otherwise in writing; and references in the conditions of this licence to the network code include the [iGT uniform network code] (as may be varied from time to time) as so incorporated, unless otherwise stated.	
REDRAFT Matched	Respondents' Views: Respondents were not asked to comment directly on this paragraph.	Conclusion: We propose to retain this paragraph with minor textual changes
SLC: 9(6)	<p>Obligation: The licensee shall, together with the other relevant gas transporters, by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have prepared a document (the "[iGT uniform network code]") setting out:</p> <p>(a) the terms of transportation arrangements established by the licensee and other relevant gas transporters, to the extent that such terms are common, or are not in conflict, between relevant gas transporters; and</p> <p>(b) the network code modification procedures established pursuant to paragraph 7, which are, subject to paragraph 8, incorporated by reference into each network code prepared by or on behalf of each relevant gas transporter,</p> <p>and the licensee shall furnish the Authority with a copy thereof.</p>	
REDRAFT	Respondents' Views: One respondent believes that	Conclusion: We propose to retain this

Matched	this obligation should be retained as it would prevent any undue delay in the development and implementation of the iGT UNC.	paragraph and to redraft the text to add further clarity and to remove redundant text.
SLC: 9(7)	Obligation: The licensee shall, together with the other relevant gas transporters, establish and operate procedures (" network code modification procedures "), for the modification of the [iGT uniform network code] and/or of any network code prepared by or on behalf of each relevant gas transporter (including modification of the network code modification procedures themselves) so as to better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives.	
REDRAFT	Respondents' Views: One respondent supported the view that the modification rules should form part of the iGT UNC document as this would prevent participants from ignoring the rules and would undermine the principle benefit of transparency and consistency in iGT transportation arrangements.	Conclusion: We propose to retain this paragraph with minor textual changes.
Matched		
SLC: 9(8)	Obligation: In accordance with paragraphs 5 and 6, unless the Authority consents otherwise in writing, the network code modification procedures shall be contained in the [iGT uniform network code].	
REMOVE	Respondents' Views: Paragraph 1.23 welcomed views on whether modifications to the individual Network Codes should be handled via separate procedures. None of the three respondents who commented on this point considered this was necessary. One suggested that proposals may have wider impacts than originally envisaged. Another suggested that the modification rules should be the same in order to maintain the integrity of the iGT UNC. However, they commented that the panel should not unreasonably delay modifications to the individual Network Codes	Conclusion: Condition 9(7) requires the modification rules to be part of the iGT UNC. We consider that if used, this provision could undermine the holistic nature of the iGT UNC.
Not Matched		

- SLC: 9(9) Obligation: The network code modification procedures shall provide for:
- (a) a mechanism by which any of
 - (i) the [iGT uniform network code]; and
 - (ii) each of the network codes prepared by or on behalf of each relevant gas transporter, may be modified;
 - (b)
 - (i) the making of proposals for the modification of the [iGT uniform network code] in accordance with paragraph 10 (a) of this condition; and/or
 - (ii) the making of proposals for the modification of a network code prepared by or on behalf of a relevant gas transporter in accordance with paragraph 11(a) of this condition;
 - (c) the making of alternative modification proposals in accordance with paragraphs 10(b) and 11(b) of this condition, except in a case where the Authority otherwise directs in writing;
 - (d) the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all relevant gas transporters and all relevant shippers and sending a copy of the proposal to any person who asks for one;
 - (e) the seeking of the views of the Authority on any matter connected with any such proposal;
 - (f) the consideration of any representations relating to such a proposal made (and not withdrawn) by the licensee, any other relevant gas transporter, any relevant shipper, or any gas shipper or other person likely to be materially affected were the proposal to be implemented;
 - (g) a proposed implementation date such as to enable any modification proposal to be made as soon as practicable after receipt of a direction under paragraph 15(b);
 - (h) establishing and maintaining, in accordance with such procedures for appointment or election as may be specified, a panel (the "[iGT UNC panel]") which is to be responsible, by way of proceedings as may be specified, for the governance and administration of the [iGT uniform network code]; and

(i) where the Authority accepts that the [iGT uniform network code] or a network code prepared by or on behalf of a relevant gas transporter may require modification as a matter of urgency, the exclusion, acceleration or other variation, subject to the Authority's approval, of any particular procedural steps which would otherwise be applicable.

REDRAFT

Respondents' Views: A number of respondents were concerned that the requirement for a proposal to include an implementation date would be restrictive and may add additional cost should the date be fixed.

Conclusion: We consider that the inclusion of an implementation date in a proposal will allow the industry to discuss the merits and risks of such a date. Flexibility has been provided for the implementation date to be changed with the consent of the Authority. We propose to retain this condition with some drafting changes.

Matched

SLC: 9(10)

Obligation: In respect of the [iGT uniform network code]:

(a) a modification proposal may be made by the following:

(i) the licensee,

(ii) each other relevant gas transporter,

(iii) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification, and/or

(iv) any other relevant person (a "**third party participant**") identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification; and

(b) where a modification proposal has been made under paragraph 10(a) of this condition (an "original proposal") alternative modification proposals may be made, in respect of any such original proposal, by any of the parties listed in paragraph 10(a) of this condition with the exception of the person who made the original proposal.

RETAIN	Respondents' Views: Respondents were not asked to comment directly on this paragraph.	Conclusion: We propose to retain this obligation.
Matched		
SLC: 9(11)	<p>Obligation: In respect of each network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it):</p> <p>(a) a modification proposal may be made by one of the following:</p> <p>(i) the licensee, to the extent that the modification proposed relates to the pipe-line system to which this licence relates;</p> <p>(ii) any relevant shipper identified in the network code modification procedures as being entitled to propose a modification; or</p> <p>(iii) any other relevant person (a "third party participant") identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification and designated for that purpose by the Authority</p> <p>(b) where a modification proposal has been made under paragraph 11(a) in respect of any such original proposal, by any of the parties listed in paragraph 11(a) of this condition with the exception of the person who made the original proposal.</p>	
REDRAFT	Respondents' Views: Respondents were supportive of the involvement of third party participants in a similar manner as is established within the UNC.	Conclusion: We propose to retain this obligation with minor textual changes.
Matched		
SLC: 9(12)	Obligation: Subject to paragraphs 9, 10 and 11 of this condition, the network code modification procedures may include provisions which differ as between proposed modifications to the [iGT uniform network code] and proposed modifications to each network code prepared by or on behalf of each relevant gas transporter (excluding the terms of the [iGT uniform network code] incorporated within it).	
REMOVE	Respondents' Views: Respondents were not asked to comment directly on this paragraph.	Conclusion: We do not consider this provision to be necessary.

Not Matched

SLC: 9(13) Obligation: The licensee shall not make any modification to the network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it) or make or permit any modification to the [iGT uniform network code] except:

- (a) to comply with paragraph 15(b) or 16; or
- (b) with the written consent of the Authority;

and shall furnish or cause to be furnished to the Authority a copy of any such modification made.

REDRAFT Respondents' Views: Respondents were not asked to comment directly on this paragraph. Conclusion: We propose to redraft this obligation for clarity.

Matched

SLC: 9(14) Obligation: Where:

- (a) the Health and Safety Executive have given a notice to the licensee in pursuance of this paragraph referring to a matter relating to the protection of the public from dangers arising from the conveyance of gas through the pipe-line system to which this licence relates; and
- (b) a modification to the network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it) and/or the [iGT uniform network code] could, consistent with the relevant objectives, appropriately deal with the matter, the licensee shall propose such a modification in accordance with the network code modification procedures, and any requirement that a modification be such as to better facilitate the achievement of the relevant objectives shall be treated as met if the modification is consistent with those objectives.

REDRAFT Respondents' Views: Respondents were not asked to comment directly on this paragraph. Conclusion: We propose to retain this obligation with minor textual changes.

Matched

SLC: 9(15)	<p>Obligation: Where a proposal is made in accordance with the network code modification procedures to modify the network code prepared by or on behalf of the licensee, (excluding the terms of the [iGT uniform network code] incorporated within it) or the [iGT uniform network code] the licensee shall:</p> <p>(a) as soon as is reasonably practicable, and no later than the time specified in the network code modification procedures, give notice to the Authority:</p> <p>(i) giving particulars of the proposal;</p> <p>(ii) where an alternative proposal is made in respect of the same matter as the original proposal, giving particulars of that alternative proposal;</p> <p>(iii) giving particulars of any representations by the licensee, any relevant shipper or any other person with respect to those proposals;</p> <p>(iv) including a recommendation (on the part of such person or body as may be provided for in the network code modification procedures/ by the [iGT UNC Panel]) as to whether any proposed modification should or should not be made, and the factors which (in the opinion of such person or body) justify the making or not making of a proposed modification; and</p> <p>(v) giving such further information as may be required to be given to the Authority by the network code modification procedures; and</p> <p>(b) comply with any direction of the Authority to make a modification to the network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it) and/or the [iGT uniform network code] in accordance with a proposal described in a notice given to the Authority under paragraph 15(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it) and/or (as the case may be) the [iGT uniform network code] or any alternative proposal, better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives.</p>
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REDRAFT

Respondents' Views: Respondents were not asked to

Conclusion: We propose to retain this

	comment directly on this paragraph.	obligation with textual changes.
Matched		
SLC: 9(16)	Obligation: Where any directions are given to the licensee under section 19 or 21(1) of the Act, the licensee shall make such modifications to the network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it) and/or the [iGT uniform network code] as may be necessary to enable the licensee to comply with the directions under section 19 or 21(1) of the Act without contravening Standard Condition 4E (Requirement to Enter into Transportation Arrangements in Conformity with the Network Code).	
REDRAFT	Respondents' Views: Respondents were not asked to comment directly on this paragraph.	Conclusion: We propose to retain this obligation with textual changes.
Matched		
SLC: 9(17)	Obligation: The licensee shall:	
	(a) prepare and publish a summary of (i) the network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it) and (ii) the [iGT uniform network code] as modified or changed from time to time in such form and manner as the Authority may from time to time direct;	
	(b) make available a copy of the network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it) and the [iGT uniform network code] as modified from time to time to any person who asks for one and makes such payment to (or to a person nominated by) the licensee in respect of the cost thereof as it may require not exceeding such amount as the Authority may from time to time approve for the purposes hereof; and	
	(c) provide, or cause to be provided, a copy of the network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it) and the [iGT uniform network code] as modified from time to time on a web-site freely available to all interested parties (the web-site address of which shall be disseminated to such interested parties).	
REDRAFT	Respondents' Views: Respondents felt that it was unnecessary to publish a summary of the iGT UNC and	Conclusion: We consider that the iGT UNC and the network codes should be

network codes as there was no additional benefit in doing so.

adequately publicised to all interested parties and also believe that the most economical and efficient manner to this is via an appropriate website. We propose to redraft and remove significant sections of this obligation.

Not Matched

SLC: 9(18)

Obligation: Where a provision of the network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it) and/or the [iGT uniform network code] requires that, in circumstances specified in the provision, a determination by the licensee pursuant to that provision in a particular case should be such as is calculated to facilitate the achievement of the relevant objectives, any question arising thereunder as to whether the licensee has complied with that requirement shall be determined by the Authority.

REDRAFT

Respondents' Views: one respondent felt that if the issues covering Authority determinations are included in the modification rules then this obligation should be removed.

Conclusion: We consider that where a provision allows for the iGT having discretion then the iGT must have regard to the relevant objectives. We are of the view that this obligation should be retained and redrafted.

Matched

SLC: 9(19)

Obligation: The network code modification procedures shall provide that any question arising under the network code modification procedures as to:

(a) whether a gas shipper or other person is likely to be materially affected by a proposal to modify the network code prepared by or on behalf of the licensee (excluding the terms of the [iGT uniform network code] incorporated within it) and/or the [iGT uniform network code] were it to be implemented; or

(b) whether representations relating to such a proposal and made in pursuance of the rules have been properly considered by the licensee,

shall be determined by the Authority.

REDRAFT

Respondents' Views: Respondents were not asked to

Conclusion: We propose to retain this

	comment directly on this paragraph.	obligation with textual changes.
Matched		
SLC: 9(20)	Obligation: Following a direction under paragraph 15(b), the implementation date may be altered with the consent of, or as directed by the Authority.	
RETAIN	Respondents' Views: Respondents were not asked to comment directly on this paragraph.	Conclusion: This is a necessary safeguard to ensure that licensee's will not necessarily be in breach of their licence in the event that they are unable to implement a modification when directed to do so by the Authority.
Not Matched		
SLC: 9(21)	Obligation: If the Authority so consents, this condition shall have effect as if the definition of "transportation arrangements" in Standard Condition 1 (Definitions and Interpretation) referred only to gas consisting wholly or mainly of methane.	
REDRAFT	Respondents' Views: Respondents were not asked to comment directly on this paragraph.	Conclusion: Other definitions for the purposes of this condition have been added.
Not Matched		
Standard Condition 10. Joint Governance Arrangements		
SLC: 10(1)	Obligation: The licensee shall: <ul style="list-style-type: none"> (a) together with all other relevant gas transporters, establish, develop and operate (or otherwise procure the operation of (including without limitation on a sub-contracted basis)) arrangements ("joint governance arrangements") for: <ul style="list-style-type: none"> (i) the administration of the network code modification procedures; (ii) giving effect to the provisions of Standard Conditions 4 (Charging Gas Shippers - General) and 4A (Obligations as Regard Charging Methodology) relating to the administering of the coordination of the modification of the licensee's and the other relevant gas transporters' respective 	

charges or reserve prices or charging methodologies (as the case may be);

(iii) the administration of such matters as are provided for in the [iGT uniform network code] to be implemented by the relevant gas transporters on a common, joint or coordinated basis;

(iv) so far as is consistent with sub-paragraphs (i) to (iii), the promotion of efficiency in the implementation and administration of the network code and/or [iGT uniform network code]; and

(v) such other matters as they may decide, subject to their licence and statutory obligations;

(b) by the date at which this condition becomes effective (unless the Authority consents otherwise in writing), have entered into an agreement ("**JGA agreement**") with the other relevant gas transporters, providing for the establishment and operation of the joint governance arrangements;

(c) provide or cause to be provided to the Authority a copy of the JGA agreement and each amendment thereof; and

(d) publish, or cause to be published, a copy of the JGA agreement as modified from time to time, with the exception of information agreed in writing as being confidential by the Authority.

REDRAFT

Respondents' Views: Respondents were not asked to comment directly on this paragraph.

Conclusion: The obligations will ensure that all relevant GTs will participate in and contribute to the JGA.

Matched

SLC: 10(2)

Obligation: The joint governance arrangements shall, without limitation, be such as are calculated, consistent with the efficient discharge of each relevant gas transporter's obligations under the Act and its respective licence:

(a) to ensure compliance with the network code modification procedures;

(b) so far as consistent with sub-paragraph (a), to promote efficiency in the administration of the network code modification procedures and the other matters subject to the JGA agreement; and

(c) to avoid undue discrimination or preference as between the relevant gas transporters.

RETAIN	Respondents' Views: Respondents were not asked to comment directly on this paragraph.	Conclusion: This paragraph usefully sets out the scope of the proposed agreement
Matched		
SLC: 10(3)	<p>Obligation: The licensee shall submit, or cause to be submitted, any proposed amendment to the JGA agreement to the Authority and shall not make or permit any amendment to the JGA agreement until the expiry of 90 days from the date on which the Authority receives the proposed amendment unless prior to such date the Authority either:</p> <p>(a) consents in writing to the licensee making or permitting the amendment on an earlier date, or</p> <p>(b) directs the licensee in writing not to make or permit the amendment.</p>	
REMOVE	Respondents' Views: Respondents were not asked to comment directly on this paragraph.	Conclusion: We do not consider that the Authority should be required to give consent to amendments to this agreement, given that it should have no direct bearing upon consumers.
Not Matched		
SLC: 10(4)	<p>Obligation:</p> <p>(a) In relation to Standard Condition 9 (Network Code and [iGT uniform network code]) of this licence, the licensee shall comply directly or shall procure compliance by means of the joint governance arrangements, with the requirements in:</p> <p>(i) paragraph 6 of Standard Condition 9 (Network Code and [iGT uniform network code]) to furnish to the Authority a copy of the [iGT uniform network code],</p> <p>(ii) paragraph 13 of Standard Condition 9 (Network Code and [iGT uniform network code]) to furnish to the Authority a copy of any modification made,</p> <p>(iii) paragraph 14 of Standard Condition 9 (Network Code and [iGT uniform network code]) to propose a modification,</p>	

- (iv) paragraph 15(a) of Standard Condition 9 (Network Code and [iGT uniform network code]) to give notice to the Authority,
- (v) paragraph 15(b) of Standard Condition 9 (Network Code and [iGT uniform network code]) to comply with a direction to make a modification,
- (vi) paragraph 16 of Standard Condition 9 (Network Code and [iGT uniform network code]) to make a modification; and
- (vii) paragraph 17 of Standard Condition 9 (Network Code and [iGT uniform network code]) to prepare and publish a summary, to send a copy, and to provide a copy on a freely available web-site.
- (b) Where a licensee has, directly or indirectly by means of the joint governance arrangements, provided the information or taken the action specified in sub-paragraphs 4(a) (i) to 4(a) (vii) inclusive, it shall have, without prejudice to any other obligations it may have, been deemed to have complied with the requirement to have provided the information or to have taken the action specified.

REMOVE

Not Matched

Respondents' Views: Respondents were not asked to comment directly on this paragraph.

Conclusion: This provision is superfluous, particularly if the JGA provisions are part of the SLC 9.

Appendix 2 – Copy of the Licence Modification Notice

Notice under Section 23(3) of the Gas Act 1986

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 23(3) of the Gas Act 1986 ("the Act") as follows:

1. Pursuant to section 23(1)(b) of the Act, the Authority proposes to modify standard condition 9 (Network Code) of each of the gas transporters' licences granted or treated as granted under section 7 of the Act.
2. The effect of the proposed modifications to standard condition 9 and the reasons why the Authority proposes to make those modifications are set out in detail in the following documents published by the Authority and those points are incorporated by reference in this notice:
 - a. Initial consultation letter: independent Gas Transporters Network Code governance, 21 July 2006 (Ref No. 128/06);
 - b. Way forward letter: independent Gas Transporters Network Code governance, 24 November 2006;
 - c. Independent Gas Transporters' Network Code Governance, 15 December 2006 (Ref No. 216/06); and
 - d. Independent Gas Transporters' Network Code Governance: Conclusions, 22 March 2007 (Ref No. 47/07).
3. In summary, the effect of the proposed modifications to standard condition 9 is to require the gas transporters for whom that condition of their licence is in effect (relevant gas transporters) to develop and become parties to and thereafter comply with a uniform network code (in addition to short form individual network codes) in the manner set out in Schedule 1 to this notice. This will be similar to the requirements pertaining to the large gas transporters who are subject to standard special condition A11.
4. In summary, the reasons why the Authority proposes to make the said modifications is to reduce the administrative burden and cost of pursuing industry change through the modification process, and facilitate improvements to the transportation arrangements across independent gas transportation networks.
5. A copy of the proposed modifications and other documents referred to in this notice are available (free of charge) from the Ofgem library (telephone 020 7901 7303) or on the Ofgem website (www.ofgem.gov.uk).
6. A pro forma that relevant licence holders may wish to use in order to register a notice of objection pursuant to section 23(7) of the Act is provided as Schedule 2 of this notice.

7. Any representations or objections with respect to the proposed modifications may be made on or before 23 April 2007 and should be addressed to Jon Dixon, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to industrycodes@ofgem.gov.uk

Sarah Harrison
Managing Director

Duly authorised on behalf of the Authority
22 March 2007

Schedule 1**Standard Condition 9. Network Code and Uniform Network Code***Transportation Arrangements*

1. The licensee shall establish transportation arrangements, pursuant to paragraphs 2 and 5 of this condition, in respect of matters other than those to which Standard Conditions 4 (Charging of Gas Shippers - General) and 4A (Obligations as Regards Charging Methodology) relate, which are calculated, consistent with the licensee's duties under section 9 of the Act, to facilitate the achievement of the following objectives –
 - a. the efficient and economic operation of the pipe-line system to which this licence relates;
 - b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters;
 - c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;
 - d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers;
 - e. so far as is consistent with sub-paragraphs (a) to (d), 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; and
 - f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition;

hereinafter referred to as the "**relevant objectives**".

Network Code

2. The licensee shall prepare a document (the "**network code**") setting out (together with the terms of any other arrangements which the licensee considers it appropriate to set out in the document) the terms of the arrangements made in pursuance of paragraph 1 save in so far as they relate to matters regulated by standard condition 4B (Connection Charges etc) or 4C (Charging Gas Shippers – Supplemental Connection Charges) or are contained in such an agreement, or an

agreement of such a class or description, as may be designated by the Authority for the purposes of this condition.

3. Where the holder of this licence also holds, in the same legal entity, one or more other gas transporter licences for relevant gas transporters, it may apply to the Authority for written consent to prepare a single network code in respect of the pipe-line systems to which those licences relate, which consent may be granted subject to such conditions as the Authority may direct.
4. The network code shall incorporate by reference the terms of the uniform network code except where the Authority consents otherwise in writing; and references in the conditions of this licence to the network code include the uniform network code (as may be varied from time to time) as so incorporated, unless otherwise stated.

Uniform Network Code

5. The licensee shall, together with the other relevant gas transporters, prepare a document (the "**uniform network code**") setting out:
 - a. the terms of transportation arrangements established by the licensee and other relevant gas transporters, to the extent that such terms are common, or are not in conflict, between relevant gas transporters; and
 - b. the network code modification procedures established pursuant to paragraph 6.

Network Code Modification Procedures

6. The licensee shall, together with the other relevant gas transporters, establish and operate procedures ("**network code modification procedures**"), for the modification of the uniform network code and/or of any network code prepared by or on behalf of each relevant gas transporter (including modification of the network code modification procedures themselves) so as to better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives.
7. The network code modification procedures shall provide for:
 - a. a mechanism by which
 - i. the uniform network code; and
 - ii. each of the network codes prepared by or on behalf of each relevant gas transporter,
 may be modified;
 - b.
 - i. the making of proposals for the modification of the uniform network code in accordance with paragraph 8; and/or
 - ii. the making of proposals for the modification of a network code prepared by or on behalf of a relevant gas transporter in accordance with paragraph 9(a);

-
- c. the making of alternative modification proposals in accordance with paragraphs 8(b) and 9(b);
 - d. the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all relevant gas transporters and all relevant shippers and sending a copy of the proposal to any person who asks for one;
 - e. the seeking of the views of the Authority on any matter connected with any such proposal;
 - f. the consideration of any representations relating to such a proposal made (and not withdrawn) by the licensee, any other relevant gas transporter, any relevant shipper, or any gas shipper or other person likely to be materially affected were the proposal to be implemented;
 - g. a proposed implementation date such as to enable any modification proposal to be made as soon as practicable after receipt of a direction under paragraph 12(b);
 - h. establishing and maintaining, in accordance with such procedures for appointment or election as may be specified, a panel (the "**panel**") which is to be responsible, by way of proceedings as may be specified, for the governance and administration of the uniform network code; and
 - i. where the Authority accepts that the uniform network code or a network code prepared by or on behalf of a relevant gas transporter may require modification as a matter of urgency, the exclusion, acceleration or other variation, subject to the Authority's approval, of any particular procedural steps which would otherwise be applicable.
- 8.** In respect of the uniform network code:
- a. a modification proposal may be made by the following:
 - i. the licensee;
 - ii. any other relevant gas transporter;
 - iii. any relevant shipper identified in the network code modification procedures as being entitled to propose a modification; and/or
 - iv. any other relevant person (a "**third party participant**") identified (individually or as a member of a class of persons) in the network code modification procedures as being entitled to propose a modification; and
 - b. where a modification proposal has been made under paragraph 8(a) (an "**original proposal**") alternative modification proposals may be made, in respect of any such original proposal, by any of the parties listed in paragraph 8(a) with the exception of the person who made the original proposal.
- 9.** In respect of each network code (excluding the terms of the uniform network code incorporated within it):
-

-
- a. a modification proposal may be made by one of the following:
 - i. the licensee, to the extent that the modification proposed relates to the pipe-line system to which this licence relates;
 - ii. any relevant shipper identified in the network code modification procedures as being entitled to propose a modification; or
 - iii. a third party participant; and
 - b. where a modification proposal has been made under paragraph 9(a) in respect of any such original proposal, by any of the parties listed in paragraph 9(a) with the exception of the person who made the original proposal.

Modification of Network Code and the Uniform Network Code

10. The licensee shall not make or permit any modification to the network code or to the uniform network code except:

- a. to comply with paragraph 12(b) or 13; or
- b. with the written consent of the Authority;

and shall furnish the Authority with a copy of any such modification made.

11. Where:

- a. the Health and Safety Executive have given a notice to the licensee in pursuance of this paragraph referring to a matter relating to the protection of the public from dangers arising from the conveyance of gas through the pipe-line system to which this licence relates; and
- b. a modification to the network code and/or the uniform network code could, consistent with the relevant objectives, appropriately deal with the matter, the licensee shall propose such a modification in accordance with the network code modification procedures, and any requirement that a modification be such as to better facilitate the achievement of the relevant objectives shall be treated as met if the modification is consistent with those objectives.

12. Where a proposal is made in accordance with the network code modification procedures to modify the network code or the uniform network code the licensee shall:

- a. as soon as is reasonably practicable, and no later than the time specified in the network code modification procedures, give notice to the Authority:
 - i. giving particulars of the proposal;
 - ii. where an alternative proposal is made in respect of the same matter as the original proposal, giving particulars of that alternative proposal;
 - iii. giving particulars of any representations by the licensee, any relevant shipper or any other person with respect to those proposals;

- iv. including a recommendation by the Panel as to whether any proposed modification should or should not be made, and the factors which (in the opinion of such body) justify the making or not making of a proposed modification; and
 - v. giving such further information as may be required to be given to the Authority by the network code modification procedures; and
- b. comply with any direction of the Authority to make a modification to the network code and/or the uniform network code in accordance with a proposal described in a notice given to the Authority under paragraph 12(a) which, in the opinion of the Authority, will, as compared to the existing provisions of the network code and/or (as the case may be) the uniform network code or any alternative proposal, better facilitate, consistent with the licensee's duties under section 9 of the Act, the achievement of the relevant objectives.

13. Where any directions are given to the licensee under section 19 or 21(1) of the Act, the licensee shall make such modifications to the network code and/or the uniform network code as may be necessary to enable the licensee to comply with the directions under section 19 or 21(1) of the Act without contravening Standard Condition 4E (Requirement to Enter into Transportation Arrangements in Conformity with the Network Code).

14. The licensee shall provide a copy of the network code and the uniform network code as modified from time to time on a web-site freely available to all interested parties (the web-site address of which shall be given adequate publicity).

Determinations by the Authority

15. Where a provision of the network code and/or the uniform network code requires that, in circumstances specified in the provision, a determination by the licensee pursuant to that provision in a particular case should be such as is calculated to facilitate the achievement of the relevant objectives, any question arising thereunder as to whether the licensee has complied with that requirement shall be determined by the Authority.

16. The network code modification procedures shall provide that any question arising under those procedures as to:

- a. whether a gas shipper or other person is likely to be materially affected by a proposal to modify the network code and/or the uniform network code were it to be implemented; or
- b. whether representations relating to such a proposal and made in pursuance of the rules have been properly considered by the licensee;

shall be determined by the Authority.

17. Following a direction under paragraph 12(b), the implementation date may be altered with the consent of, or as directed by the Authority.

*Joint Governance Arrangements***18.** The licensee shall:

- a. together with all other relevant gas transporters, establish, develop and operate (or otherwise procure the operation of (including without limitation on a sub-contracted basis)) arrangements ("**joint governance arrangements**") for:
 - i. the administration of the network code modification procedures;
 - ii. giving effect to the provisions of Standard Conditions 4 (Charging of Gas Shippers - General) and 4A (Obligations as Regards Charging Methodology) relating to the administering of the coordination of the modification of the licensee's and the other relevant gas transporters' respective charges or reserve prices or charging methodologies (as the case may be);
 - iii. the administration of such matters as are provided for in the uniform network code to be implemented by the relevant gas transporters on a common, joint or coordinated basis;
 - iv. so far as is consistent with sub-paragraphs (i) to (iii), the promotion of efficiency in the implementation and administration of the network code and/or uniform network code; and
 - v. such other matters as they may decide, subject to their licence and statutory obligations;
- b. enter into an agreement ("**JGA agreement**") with the other relevant gas transporters, providing for the establishment and operation of the joint governance arrangements;
- c. provide to the Authority a copy of the JGA agreement and each amendment thereof; and
- d. publish a copy of the JGA agreement as modified from time to time, with the exception of information agreed in writing as being confidential by the Authority.

19. The joint governance arrangements shall, without limitation, be such as are calculated, consistent with the efficient discharge of each relevant gas transporter's obligations under the Act and its respective licence:

- a. to ensure compliance with the network code modification procedures;
- b. so far as consistent with sub-paragraph (a), to promote efficiency in the administration of the network code modification procedures and the other matters subject to the JGA agreement; and
- c. to avoid undue discrimination or preference as between the relevant gas transporters.

Miscellaneous

- 20.** If the Authority so consents, this condition shall have effect as if the definition of "**transportation arrangements**" in Standard Condition 1 (Definitions and Interpretation) referred only to gas consisting wholly or mainly of methane.
- 21.** In this condition "**relevant gas transporter**" shall mean the holder of a GT licence, for whom this condition is in effect.

Schedule 2**Pro-forma to register a Statutory Objection****Proposed Modification of Special Licence Conditions in the Gas Transporter licence**

In response to the statutory notice dated 22 March 2007 in respect of the above proposed modifications, this notice constitutes a statutory objection to that proposal on behalf of [state the name of each relevant licence holder making the objection].

I confirm that I am duly authorised to give this notice on behalf of each of the above named companies.

[Signed]

[Date]

[Address for acknowledgement, preferably including email address]

Appendix 3 – The Authority's Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority (“the Authority”), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.⁶

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly⁷.

1.4. The Authority's principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of consumers, present and future, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- The need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- The need to secure that all reasonable demands for electricity are met;
- The need to secure that licence holders are able to finance the activities which are the subject of obligations on them⁸; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.⁹

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

⁶ entitled “Gas Supply” and “Electricity Supply” respectively.

⁷ However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

⁸ under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

⁹ The Authority may have regard to other descriptions of consumers.

-
- Promote efficiency and economy on the part of those licensed¹⁰ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
 - Protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity;
 - Contribute to the achievement of sustainable development; and
 - Secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- The effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- The principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- Certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation¹¹ and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

¹⁰ or persons authorised by exemptions to carry on any activity.

¹¹ Council Regulation (EC) 1/2003

Appendix 4 - Glossary

B

[Balancing and Settlement Code \(BSC\)](#)

The code that sets out the trading arrangements for electricity in the UK.

C

[Connected System Exit Point \(CSEP\)](#)

The point of connection of an independent gas transporter pipeline system to the pipeline system of a larger gas transporter.

G

[Gas Distribution Networks](#)

Gas Distribution Networks, of which there are eight, four of which are owned by National Grid Gas plc, and four of which were sold by Transco plc (now National Grid Gas plc) to third party owners on 1 June 2005.

U

[Uniform Network Code \(UNC\)](#)

As of 1 May 2005, the UNC replaced National Grid Gas' network code as the contractual framework for the National Transmission System, GDNs and system users.

Appendix 5 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

- Does the report adequately reflect your views? If not, why not?
- Does the report offer a clear explanation as to why not all the views offered had been taken forward?
- Did the report offer a clear explanation and justification for the decision? If not, how could this information have been better presented?
- Do you have any comments about the overall tone and content of the report?
- Was the report easy to read and understand, could it have been better written?
- Please add any further comments?

1.2. Please send your comments to:

Andrew MacFaul
Consultation Co-ordinator
Ofgem
9 Millbank
London
SW1P 3GE
andrew.macfaul@ofgem.gov.uk