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16 January 2009

Dear Mark,

Review of Industry Code Governance – Environment and Code Objectives Letter

I am writing in response to the above letter on behalf of Wales & West Utilities. Please find attached WWU's response to the five issues that were highlighted by Ofgem that they would particularly welcome views on. These are set out in the order that they appear in the document. For clarity we have identified the issues in bold and have set out our views below each issue.

If you have any queries in relation to this response please contact me as below.

Yours sincerely,



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24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

WWU's detailed response to the issues raised in Review of Industry Code Governance
– Environment and Code Objectives Letter

1. our position that the existing legal framework is sufficient not only to enable but also to require industry and code panels to assess and take account of the impacts of modification proposals on GHG emissions;

WWU agrees that the existing legal framework, namely the provisions within Standard Special Condition (SSC) A11 of the gas transporters licence and within the Uniform Network Code (UNC) Modification Rules, are sufficient. Both of these enable, and require, industry participants and UNC Panel members to take account of the impacts of the implementation of Modification Proposals on Green House Gas (GHG) emissions.

We also agree with the Ofgem view detailed in the Final Guidance document; that we have the ability to assess the economic impact of GHG emissions by placing a financial value on it using mechanisms such as the shadow price of carbon under the European Union Greenhouse Gas Emission Trading Scheme (EU ETS). This financial impact can then be considered along the existing relevant objective of "*the efficient and economic operation of the pipe-line system*" (SSC A11(1)(a)&(b)).

There may be merit in amending the UNC Modification Proposal templates to include a separate section to highlight and take account of such environmental issues. However, we are not aware of any UNC Modification Proposals that have had such impacts and therefore there may be little or no benefit in doing this.

2. our position that the scope of the assessment required by the existing legal framework is not limited to the impact on a particular licensee or industry;

WWU believe that the existing framework does not limit the impact of UNC Modification Proposals to WWU or to the gas industry. All UNC Modification Proposals are required to take into account "*The implications of the implementation for other relevant persons.*" and is in no way limited to UNC signatories. Therefore if a UNC Modification Proposal has a direct environmental impact this obligation already requires consideration of those issues on a wide basis, rather than just being limited to the licensee. For this reason, we do not consider that Ofgem need to introduce new Licence provisions for Gas Distribution Network Operators to clarify this issue.

3. whether you consider that there would be merit in amending relevant licence conditions with a view to expressly providing for industry and code panels to have regard to the economic impacts of GHG emissions in considering modification proposals;

WWU does not believe that amendments to the gas transportation licence would be of any merit as the existing framework adequately allows for such matters to be considered (as per answer to Question 1).

4. our interpretation of what constitutes “broader environmental issues” and whether there are additional environmental considerations to those that are captured within this letter which industry and panels could take account of;



WWU have not identified any further environmental issues to those already detailed within the Ofgem consultation document.

5. whether industry and code panels should take account of broader environmental impacts when considering code modification proposals and, if so, how industry and code panels could take account of those impacts.

As with GHG emissions, there are very few, if any, examples of where a UNC Modification Proposal will have "broader environmental impacts". For example there may be occasions when a UNC Modification Proposal relates to a gas facility that, during construction or operation, may have such impacts. However, it is unlikely that these impacts will be as a direct result of the actual Modification Proposal and we would expect these matters to be considered by the appropriate local / national planning and environmental regulations.