

Modification proposal:	Independent Gas Transporter Uniform Network Code (iGT UNC): Removal of ancillary document self-governance (iGT064)		
Decision:	The Authority ¹ directs ² that this proposal be made		
Target audience:	Gemserv, Parties to the iGT UNC and other interested parties		
Date of publication:	19 September 2014	Implementation Date:	iGT UNC February 2015 Release

Background to the modification³ proposal

In February 2008 we approved iGT008 'Ancillary Documents' (ADs).⁴ This modification introduced into the iGT UNC the concept of an AD. It was envisaged that ADs would cover matters such as operational procedures on how parties will discharge their iGT UNC obligations. Changes to ADs are subject to the approval of the iGT UNC Panel rather than requiring the approval of the Authority. The AD change process is set out in Part K43 of the iGT UNC.⁵

Part K43 requires that for a modification to an AD to be implemented it must get a majority vote from the iGT UNC Panel. If it does not achieve majority approval the K43 rules state that the modification must be considered in accordance with section 15 of the iGT UNC Modification Rules unless the iGT UNC Panel determine otherwise. However, following an update to the iGT UNC in November 2013,⁶ this reference to section 15 of the iGT UNC Modification Rules is no longer a correct reference. There is still the opportunity, within the K43 rules, for a party to raise a change directly through the code modification procedure. The code modification procedure is set out in Part L⁷ and any modification to the main body of the iGT UNC follows this procedure. This includes provision for modifications to follow a fast track self-governance route, a self-governance route or consent by the Authority.

There are, therefore, currently two different processes for taking forward changes to the iGT UNC and it's associated documents. The first being the process set out in Part L, which any changes to the iGT UNC document must comply with. The second being the process set out in Part K, which any changes to the ADs must comply with (although as noted above, changes to ADs may in some circumstances follow the process set out in Part L).

There are currently eight ADs, approved by Ofgem between 2008 and 2012. A ninth AD was approved by the iGT UNC panel via the self-governance route and is due to be implemented in October 2014.⁸

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ 'Change' and 'modification' are used interchangeably in this document.

⁴ <https://www.ofgem.gov.uk/ofgem-publications/63257/igtunc008d.pdf>

⁵ The iGT UNC, as well as the current ADs can be found here: <http://www.igt-unc.co.uk/igt+UNC+and+Related+Documents>.

⁶ This update implemented iGT046 'Revision to the Modification Rules'.

⁷ Part L - Modification Rules

⁸ 'CSEP NExA Tables': <http://www.igt-unc.co.uk/Modifications/Open+Modifications/igt057S>. The modification rules which govern this AD are those in Part L of the iGT UNC.

The modification proposal

ESP Pipelines, the proposer, considers that iGT064 seeks to achieve two things:

1. To remove the concept of an AD specific self-governance procedure from the code.
2. To clarify that a proposed change to an AD will be subject to the modification rules in Part L of the iGT UNC.

It proposes to remove the modification procedure set out in Part K and ensure that all modifications to ADs are raised in line with the modification rules in Part L, which govern the rest of the iGT UNC.

The proposer considers that this modification better facilitates relevant objective (f) of the iGT UNC⁹ as it removes any ambiguity around which process a change to the ADs should follow. The proposer also considers that this would ensure changes are subject to the self-governance measures required by the licence. For example, they would require a self-governance statement to be issued to the Authority, which the proposer considers will improve the efficiency in the implementation of the code.

iGT UNC Panel¹⁰ recommendation

On 20 August 2014 the iGT UNC Panel voted in favour of implementing iGT064.

The Panel supported the view of respondents to the consultation that it would further facilitate objective (f). The Panel also determined that iGT064 should be implemented in the first scheduled release at least two months after the Authority decision, ie the iGT UNC February release date.¹¹

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 21 August 2014. We have considered and taken into account the responses to Genserv's consultation on the modification proposal which are attached to the FMR¹². We have concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the iGT UNC; and
2. directing that the modification be made is consistent with our principal objective and statutory duties.¹³

⁹ As set out in Standard Condition 9 Gas Transporters Licence, available at: https://epr.ofgem.gov.uk//Content/Documents/Gas_transporter_SLCs_consolidated%20-%20Current%20Version.pdf

¹⁰ The iGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the iGT UNC Modification Rules.

¹¹ The scheduled iGT UNC release dates can be found here: <http://www.igt-unc.co.uk/iGT+UNC+and+Related+Documents>.

¹² iGT UNC modification proposals, modification reports and representations can be viewed on the iGT UNC website at <http://www.igt-unc.co.uk/>.

¹³ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

Reasons for our decision

We note that this modification received support from all four of the respondents to Gemserv's consultation. Each of these respondents, together with the proposer and the iGT UNC Panel were in agreement that iGT064 should be considered against relevant objective (f). We agree that it would facilitate this objective and that it would have a neutral impact upon the other relevant objectives.

Relevant Objective (f) the promotion of efficiency in the implementation and administration of the code

Following Ofgem's second phase of the Code Governance Review (CGR2), changes were made to the iGT UNC to introduce self-governance and fast track self-governance modification processes.¹⁴ As the modification processes for ADs were in effect before the changes introduced by CGR2 it is now possible that modifications to ADs could follow either of two self-governance processes (the one set out in Part K or the one set out in Part L). Removing the modification process in Part K43 of the iGT UNC that apply only to ADs removes confusion or uncertainty around the change process for these documents. We anticipate the majority of changes to the ADs will typically be of low materiality and so expect that they would follow the self-governance process.

Other comments

The iGT UNC Panel discussions on this modification indicated that there may be some confusion around the status of these ADs in relation to the code. The Panel considered that this modification does not affect the status of ADs but agreed that this was an important issue and should be raised at a future iGT Shipper Standing Work Group and as part of the development activity for iGT039.¹⁵ We agree with the Panel that it would be appropriate for them to consider the status of ADs.

Decision notice

In accordance with Standard Condition 9 of the Gas Transporters Licence, the Authority hereby directs that modification proposal iGT064: 'Removal of ancillary document self-governance' be made.

Lesley Nugent

Head of Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose.

¹⁴ iGT062 'Revision to the modification rules in response to CGR2': <https://www.ofgem.gov.uk/publications-and-updates/independent-gas-transporter-uniform-network-code-igt-unc-igt052-revision-modification-rules-response-cgr2>.

¹⁵ Use of a Single Gas Transporter Agency for the common services and systems and processes required by the iGT UNC: <http://www.igt-unc.co.uk/Modifications/Open+Modifications/IGT039DG>.