

Joint Office, relevant Gas  
Transporters, Shippers and other  
Interested parties

8 March 2019

## **UNC678: Amendments to Gas Transmission Charging Regime Uniform Network Code 678 (UNC678)**

This letter explains our<sup>1</sup> decision to extend the timetable for the development of the UNC678 modification proposals. We have made this decision in response to a request from the Independent Chair of the UNC Modification Panel (“the Panel Chair”), and because we want to ensure as far as possible that the UNC678 modification process delivers timely compliance with Commission Regulation (EU) 2017/460. The reasons for our decision are explained below.

### **Background**

On 17 January 2019, National Grid Gas (“NGG”) raised UNC678 ‘Amendments to Gas Transmission Charging Regime’<sup>2</sup>. UNC678 seeks to implement changes to Great Britain’s (“GB”) gas arrangements to deliver compliance with Commission Regulation (EU) 2017/460 (“TAR NC”).

NGG requested that UNC678 be treated as ‘urgent’ and proceed under a timetable approved by Ofgem. On 25 January 2019, we granted urgent status for UNC678.<sup>3</sup> In this letter we stressed that we expect industry to ensure GB is compliant with the requirements of the TAR NC as soon as possible. At the time of writing this letter, UNC parties have raised nine alternative proposals.<sup>4</sup> The UNC Modification Panel has accepted that these proposals are alternatives to UNC678 and should proceed under the same urgent timetable.

On 27 February, the participants of the UNC678 Workgroup highlighted a number of challenges that they consider that they are facing in relation to the completion of the workgroup report within the timetable set out in our urgency decision.<sup>5</sup> On 28 February, the Panel Chair sent us a letter asking us to consider extending the urgency timetable for UNC678 based on the concerns expressed by the UNC678 Workgroup.<sup>6</sup> The Panel Chair expressed concerns that the Panel may be unable to complete the good governance

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<sup>1</sup> Ofgem is the Office of the Gas and Electricity Markets Authority. The terms ‘Ofgem’, ‘the Authority’, ‘we’, ‘our’ and ‘us’ are used interchangeably in this letter.

<sup>2</sup> <http://www.gasgovernance.co.uk/0678>

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/unc0678-amendments-gas-transmission-charging-regime-request-urgency-unc678>

<sup>4</sup> 0678A/B/C/D/E/F/G/H/I. We refer to collectively to UNC678 and its alternatives as “UNC678 proposals”.

<sup>5</sup> <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-02/Workgroup%200678%20Question%20for%20UNC%20Panel%2001%20March%202019.pdf>

<sup>6</sup> The letter from the Panel Chair can be found at the following link. It also contains the concerns identified by the UNC678 Workgroup: <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-02/0678%20Modifications%20Panel%20Chair%20Letter%20to%20Ofgem%20Final2802.pdf>

required around considering all these modifications and, as a result, Ofgem may not get the full and reasoned decision that is expected from industry. The Panel Chair also noted the limitations on the UNC Modification Panel to prevent alternative modifications being submitted late in the process.

### **Our decision**

We have considered the request submitted by the Panel Chair and the slower than expected progress of the UNC678 proposals. We have decided to extend the UNC678 modification process for the following reasons.

A number of factors have contributed to the slower than expected progress of the UNC678 process. Notably, NGG has not delivered a number of items, including the Forecast Contracted Capacity (“FCC”) Methodology Statement and the sensitivity tool, within the expected timeframe. This has, in turn, impeded the development of the alternative UNC678 proposals.

A number of alternative UNC678 modification proposals were submitted late in the process. This limited the opportunity to develop these proposals and diverted resources from completing the Workgroup Report. The nature of discussions at workgroup meetings has also not facilitated the process.

We consider that an extension of the timetable for the development of the UNC678 proposals will allow NGG to deliver all pending actions set out below. The extension will also allow all UNC678 modification proposers and the UNC678 Workgroup to complete their respective modifications and the Workgroup Report.

We expect NGG to deliver the items listed below by **Friday 15 March 2019**.

<b>n.</b>	<b>Deliverables</b>
<b>1.</b>	Publish a fully detailed FCC Methodology Statement. NGG should also include a note explaining the governance framework for the FCC methodology
<b>2.</b>	Publish the final UNC678 Modification and full accompanying analysis
<b>3.</b>	Publish legal text for UNC678
<b>4.</b>	Make the Sensitivity Tool on UNC678 available to other proposers. We expect to NGG to make reasonable efforts to support other proposers in using this tool
<b>5.</b>	A review of Existing Contracts, in line with the views set out in our UNC621 decision letter. This should include analysis on price differentials and set out options in terms of compliance and proportionality

This extension will also allow additional workgroups for the development of the UNC678 proposals as set out in the timetable below. All UNC678 modification proposers must complete the legal and policy analysis underpinning their proposals and make all relevant documents available to the Joint Office (“JO”) by **21 March 2019**, in order to allow their consideration once the workgroup meetings resume. The JO will set out in more detail what all proposers must provide.

Proposers must engage with the JO to ensure that these prerequisites are satisfied ahead of the first workgroup below.

<b>Process</b>	<b>Date</b>
Workgroup 11 – the agenda should include (among other items) Existing Contracts and FCC methodology	Monday 25 March 2019
Workgroup 12	Thursday 28 March 2019
Workgroup 13 (part of NTSCMF)	Tuesday 2 April 2019
Workgroup 14	Thursday 4 April 2019
Workgroup 15	Monday 8 April 2019
Workgroup 16 – “Finalise Workgroup report”	Wednesday 10 April 2019
Finalisation and Publication of Draft Modification Report (DMR) for Consultation	Friday 12 April 2019
Consultation commences	Monday 15 April 2019
Consultation closes	Wednesday 8 May 2019
FMR Available to the Modification Panel	Wednesday 15 May 2019
UNC Modification Panel decision	Thursday 23 May 2019
Final Modification Report issued to Ofgem	Wednesday 29 May 2019

The timetable above includes a UNC Modification Panel meeting on 23 May. We encourage all UNC Panel members to take part in the meeting given the importance of the UNC678 modification proposals. It would also be helpful if the agenda for discussion at this Panel was arranged so that the UNC678 modification proposals form the main or only item on the agenda.

We expect the JO to set the agenda for the workgroup meetings, noting that we would like the UNC678 Workgroup to address the issue of FCC methodology and Existing Contracts in the first workgroup meeting listed above.

We note the Panel Chair’s comments about the risk of alternatives being submitted late in the modification process. We acknowledge the UNC Modification Panel set out timelines for the submission of alternative modifications at the Panel meeting held on 21 February 2019.<sup>7</sup> These timelines encouraged parties to have alternative modifications with the JO by 27 February 2019. While this is a non-binding deadline, we consider it would be helpful if parties continued to take this timeline into account.

This extension is granted in light of the exceptional circumstances surrounding the development of the UNC678 modification proposals, namely the breadth of the changes to the GB gas charging arrangements and the reliance of this process on deliverables from NGG that have not been made fully available so far. We strongly encourage all UNC678 proposers to make use of this extension to ensure that their proposals are well-developed and based on sound evidence. We also encourage the UNC678 Workgroup to engage with the JO and proposers in critiquing the proposals and drafting an informative workgroup report with relevant and clear analysis.

For the avoidance of doubt, we have made no assessment of the merits of UNC678 or its alternatives and nothing in this letter in any way fetters the discretion of the Authority in respect of the UNC678 proposals.

<sup>7</sup> Minutes of the meeting can be found here: <http://www.gasgovernance.co.uk/panel/210219>

**David O'Neill**

**Head of Gas Systems, Energy System Transition**

Signed on behalf of the Authority and authorised for that purpose