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to customers*

Global Utility Connections,
Shippers and other interested
parties.

Our Ref: Net/Cod/IGT
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1 June 2005

Dear Colleague,

Modification Proposal GUC001: 'Formally include the Network Code Modification Rules within the Network Code'.

Ofgem¹ has carefully considered the issues arising from modification proposal GUC001: 'Formally include the Network Code Modification Rules within the Network Code' and has decided to direct Global Utility Connections (GUC) to implement the modification, as we believe that it will better facilitate the achievement of the relevant objectives of GUC's Network Code, as set out in Standard Condition 9 of its GT licence. Ofgem also considers that this decision is consistent with its wider statutory duties. In this letter we explain the background to the modification proposal and outline the reasons for making our decision.

Background to the proposal

The GT licence requires GUC to establish transportation arrangements consistent with its duties under section 9 of the Act and to facilitate the achievement of the relevant objectives. These arrangements are to be in a document referred to as the Network Code. The licensee is similarly required to prepare a document setting out the modification procedures for the Network Code.

Currently, the GUC modification rules form a separate document to the Network Code itself. This has implications insofar as the modifications rules are not subject to the governance that they themselves provide, though they may only be changed with the consent of the Authority.

The modification proposal

Modification proposal GUC001 seeks to include the Network Code modification rules formally into the Network Code itself. In effect this would mean that the modification rules would constitute part of the Network Code and therefore be subject to the same change control procedures, allowing parties to the Network Code to propose changes to the rules.

¹ Ofgem is the office of the Gas and Electricity Markets Authority. The terms 'Ofgem' and the 'Authority' are used interchangeably in this letter.

Respondent's views

GUC received one representation to its consultation on modification proposal GUC001. The respondent supported implementation of this proposal, stating that they support the fact that this modification would give Network Code Users the ability to formally propose changes to the modification rules. They also stated that they support the principle of aligning iGT Network Codes with those of NGT (which now incorporates by reference, the Uniform Network Code) providing a common approach to governance across the industry.

GUC's view

GUC supports the implementation of this modification proposal. GUC considers that it is only fair that modifications can be raised against its modification rules, and that suppliers can be unfairly disadvantaged if modification rules can be applied as liberally as the GT sees fit. GUC considers that there are further benefits from this modification, as iGTs will be able to conform to an industry standard; improve consistency amongst the various Network Codes, and; reduce confusion amongst shippers.

Ofgem's view

Ofgem welcomes the principle of more open access to the governance of gas and electricity industry codes by contracted parties. Open and transparent processes underpin effective and efficient consultation and consideration of modification proposals. Ofgem therefore agrees with GUC's comments regarding shippers' ability to propose changes to the modification rules. Ofgem also welcomes the increased consistency between the Network Codes, as this should improve clarity and generally facilitate more efficient procedures, particularly in relation to the management of change.

Ofgem's decision

Having considered the issues arising from this modification proposal Ofgem has decided to direct GUC to implement modification proposal GUC001, as it will contribute to the efficient and economic operation of the pipe-line system by improving the existing governance procedures. To the extent that improved governance can increase transparency and parties' confidence in the market framework, it should also further facilitate the securing of effective competition between gas shippers and suppliers.

If you have any further queries regarding this decision letter please feel free to contact Ndidi Njoku on 020 7901 7157.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. N. Simpson', written over a horizontal line.

**Nick Simpson,
Director, Modifications**