



Utility Grid Installations Ltd,
Shippers and other interested
parties.

Our Ref: Net/Cod/iPGT15
Direct Dial: 020 7901 7491
Email: modifications@ofgem.gov.uk

19 April 2006

Dear Colleague,

Modification Proposal UGI 15: 'Harmonise Network Code Modification Rules'.

Ofgem¹ has considered the issues raised by this modification proposal and has decided to direct Utility Grid Installations Ltd (UGI) to implement the proposal as we believe that it will better facilitate the relevant objectives of UGI's Network Code as defined in standard condition 9 of its GT Licence.

Background

The GT licence requires UGI to establish transportation arrangements consistent with its duties under section 9 of the Gas Act 1986 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.

The Modification Proposal

The Modification Proposal is raised by Powergen Retail Limited, and seeks to harmonise the UGI Modification Rules with others within the iGT community. Similar proposals are being raised to other Network Codes. Key aspects of the proposal include deadlines for the circulation of documentation and the use of standard templates.

Respondents' Views

UGI received two responses to the consultation proposal, which provided support to the Modification Proposal.

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

UGI's Views

UGI supports this modification proposal and considers that unified Modification Codes will remove ambiguity in dates and help in effecting changes with all IGT's working to the same timescale.

Ofgem's Views

Ofgem considers that the implementation of this proposal will be beneficial to the governance of the UGI Network Code by providing greater clarity and certainty of future change. Ofgem therefore considers such measures to be consistent with relevant objective c) of the UGI Network Code, '*the securing of effective competition between relevant shippers and between relevant suppliers*'. Furthermore, Ofgem notes equivalent proposals have been raised to several of the other IGT's Network Code to facilitate harmonisation across the various Network Codes.

Ofgem notes that the proposed template for the Modification Proposal, Draft and Final Modification Reports suggests a predetermined date for circulation of an Ofgem decision. In this regard, Ofgem considers that the inclusion of a date for dissemination of the Authority decision is not feasible, as Ofgem's decisions on Modification Proposals cannot be timebound within the Network Code or rules².

Ofgem also notes that IGT modification proposals have rarely solicited a large response from Shippers, and is concerned about the proposal to introduce a secondary consultation, which may not add value to the process. In this respect, Ofgem is also aware that Shippers may welcome the opportunity to review the Draft Modification Report, particularly if this is the first opportunity to comment on the legal text etc. In addition, Ofgem notes past experience of receiving modification reports which differ significantly in terms of their quality. Ofgem's decisions are better informed when the Final Modification Report has better quality and more robust information. On balance, Ofgem considers that in the event that no comments are received on the Draft Modification Report by the end of the 15 business day period, the Draft Modification Report could simply be forwarded to Ofgem as the final version.

With respect to the legal text and for the avoidance of doubt, Ofgem considers that regardless of whether a modification proposal has accompanying legal text, it will remain the responsibility of the Pipeline Operator to provide the final legal text which, if the modification proposal is accepted, will be inserted into the Network Code. However, Ofgem does consider that there may be benefits from allowing the proposer to put forward an initial suggestion for the legal text. This may reduce the burden upon the iGTs legal resources and moreover, provide a greater degree of clarity of what exactly is being proposed, better informing respondents and therefore improving the consultation process.

Ofgem's decision

Having considered the issues raised by this modification proposal Ofgem has decided to direct Utility Grid Installations Ltd (UGI) to implement modification proposal UGI15, as it will contribute to the efficient and economic operation of the pipe-line system and to the fulfilment of the relevant code objectives, particularly c) *securing of effective competition between relevant shippers and between relevant suppliers*.

² As part of its 2005-06 corporate plan Performance Indicators, Ofgem aims make 70% of Modification decisions within 5 weeks

If you have any further queries regarding this decision letter please feel free to contact Ofgem at: modifications@ofgem.gov.uk.

Yours sincerely,

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

Nick Simpson
Director, Industry Codes and Licensing