



Global Utility Connections,
Shippers and other interested
parties.

Our Ref: Net/Cod/iPGT12
Direct Dial: 020 7901 7491
Email: modifications@ofgem.gov.uk

02 November 2005

Dear Colleague,

Modification Proposal GUC004: 'Harmonise Network Code Modification Rules'

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

Background

The GT licence requires GUC 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.

Although the GUC modification rules had previously formed a separate document, they were incorporated into the Network Code with the implementation of Modification GUC101 and are now subject to the same modification procedures.

The Modification Proposal

The Modification Proposal is raised by Powergen Retail Limited, and seeks to harmonise the GUC 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.

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

Respondents' Views

GUC received one response to its consultation proposal, which provided support to GUC's proposal. The respondent supports the alignment of iGT Network Code rules and considers that the harmonisation of the modification rules in all iGT Network Codes would reduce the administrative burden by ensuring all parties adhere to the same set of rules.

GUC's Views

GUC considers that the proposals will ensure that there is a standard set of modification rules for all iGT's. GUC considers that this will improve consistency amongst the IGT's Network Code and will reduce Shipper confusion as to what rule applies for which iGT. GUC therefore considers that a harmonised modification rule timetable as proposed under the modification, will give Users the ability to effect changes to the Network Code and work in a finite unambiguous uniform manner.

Ofgem's Views

Ofgem considers that the implementation of this proposal will be beneficial to the governance of the GUC 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 GUC 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 understands that the GUC Modification Rules already provides for the circulation of an Ofgem decision within 5 Business days of receipt. However notes that the proposed template for the Draft and Final Modification Reports suggests a predetermined date for such circulation. 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. In this regard it should be noted that the more information is available to Ofgem within the report, the easier and more robust will be its decision. 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

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

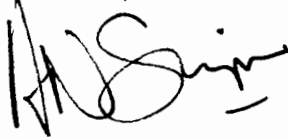
accepted, will be inserted into the Network Code. However, Ofgem does consider that there may be benefits from allowing the proposer to put forward an initial suggestion for the legal text. This may reduce the burden upon the iGTs legal resources and moreover, provide a greater degree of clarity of what 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 GUC to implement modification proposal GUC004, 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.*

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 faint horizontal line.

Nick Simpson
Director, Modifications.