

Modification proposal:	<b>Uniform Network Code (UNC) 064: Extending established UNC governance arrangements to include the CSEP Ancillary Agreement document referenced in Section J5.9</b>		
Decision:	The Authority <sup>1</sup> has decided to reject this proposal		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	28 September 2006	Implementation Date:	Not applicable

## Background to the modification proposal

There are a number of procedural documents referred to in the UNC which set out how both Gas Transporters (GTs) and Users are required to implement certain UNC obligations. Whilst these documents may be referred to in the UNC, in some cases they are not themselves subject to joint ownership or governance; in particular change control has so far been largely at the discretion of the GTs.

On 23 March 2005, the Authority directed the implementation of Network Code modification 730<sup>2</sup>, which had the effect of making revisions to certain documents subject to the approval by panel majority of the Network Code Committee. It was recognised at the time that the list of documents was not exhaustive, though the proposer also envisaged that any new procedural document setting out the detailed matters for the implementation of the Network Code obligations would also be covered by that proposal.

A Connected System Exit Point (CSEP) is a system point comprising one or more individual exit points which are not supply meter points. This includes connections to a pipeline system operated by another Gas Transporter.

## The modification proposal

This modification proposal seeks to extend the UNC governance arrangements to include CSEP Ancillary Agreements. In particular, the proposal seeks to make changes to the CSEP Ancillary Agreements subject to approval by majority vote of what is now the UNC Committee (UNCC). The proposal would allow Users as well as NG NTS and other GTs to instigate such changes.

The proposal also seeks to place a generic obligation upon GTs to publish the CSEP Ancillary Agreements on the Joint Office of Gas Transporters website, and for subsequent revision to the CSEP Ancillary Agreements to be appropriately version numbered, with previous versions remaining available.

The proposer considers that this will facilitate the relevant objectives of the UNC by improving transparency and accountability. They believe this will contribute both to the efficient and economic operation by the GTs of the pipeline system and increase certainty and confidence of all UNC parties, thereby facilitating competition between shippers and suppliers.

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> [Extending established Network Code governance arrangements to relevant Transco documents.](#)

## **UNC Panel<sup>3</sup> recommendation**

At its meeting of 18 May 2006, the UNC modification panel voted not to recommend implementation of this Proposal.

## **The Authority's decision**

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) version 4.0, dated 24 August 2006. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal<sup>4</sup> and has concluded that implementation of the modification proposal will not better facilitate the achievement of the relevant objectives of the UNC<sup>5</sup>.

## **Reasons for the Authority's decision**

As set out in our decision on Network Code modification 730, we consider that the incorporation of documents referenced in what is now the UNC into UNC governance increases transparency and accountability. To the extent that this gives parties greater confidence in the UNC arrangements and demonstrates a level playing field, we agree with those respondents who suggested that this proposal will further facilitate effective competition.

In general, we support the concept of changes to ancillary documents being subject to the approval of UNC parties themselves by means of an industry panel, rather than requiring the consent of the Authority. This is appropriate given the technical operational nature of this type of document and is also consistent with Ofgem's desire to adopt lighter touch regulation. Whilst this streamlined approach could be considered to further facilitate the efficient and economic operation by the GTs of the pipelines system, we agree with the majority of respondents (both for and against the proposal) who provided assessment of this proposal primarily against relevant objective f), the promotion of efficiency in the implementation and administration of the UNC.

Whilst Network Code modification 730 was predicated on the lack of formal governance around certain operational documents, we do not consider CSEP Ancillary Agreements fall into the same category. Firstly, we agree with NG NTS, who stated that changes to the CSEP Ancillary Agreements have the potential to materially impact upon it. Secondly, whereas those operational documents had little in the way of formal governance, and were revised largely at the discretion of the GTs, the CSEP Ancillary Agreements are already under the governance of the UNC. As noted in the response from National Grid National Transmission System (NG NTS), Section J6.6.2 of the UNC states that a CSEP Ancillary Agreement shall be deemed to be part of the UNC for the purposes of enabling such agreements to be modified pursuant to the UNC modification rules.

We consider it is likely to be beneficial to publish the standard terms of CSEP Ancillary Agreements, particularly as they are not currently available on the internet, although we note that GTs are already obligated under Section J6.6.4 of the UNC to make available to any User on request a copy of any CSEP Ancillary Agreements.

---

<sup>3</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

<sup>4</sup> UNC Modification proposals, Modification Reports and Representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.com](http://www.gasgovernance.com)

<sup>5</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: [http://62.173.69.60/document\\_fetch.php?documentid=6547](http://62.173.69.60/document_fetch.php?documentid=6547)

In conclusion, whilst we support measures that improve the transparency and accountability of UNC ancillary documents, we do not consider that the implementation of this proposal would further facilitate the relevant objectives of the UNC.

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

**Nick Simpson**

**Director, Industry Codes & Licensing**

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