

Modification proposal:	<b>Independent Gas Transporter (iGT) Uniform Network Code (UNC): 'Determination of Implementation Dates by Panel' (iGT UNC 018)</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made		
Target audience:	Gemserv, Parties to the iGT UNC and other interested parties		
Date of publication:	1 August 2008	Implementation Date:	To be confirmed by the Representative of the iGT UNC

## Background to the modification proposal

Following a review of the iGT UNC Modification Rules, Review Group iGTRP001 identified the determination of implementation dates as an area in which improvements may be made to the efficient administration of modification procedures. The current modification rules require the iGT UNC Panel to recommend an implementation date only in cases where it is in agreement that a modification should be implemented. Also, under the current modification procedures a modification directed by the Authority may have no specified implementation date.

The proposer considers these factors to create uncertainty and do not adequately cater for those modifications on which there is not widespread agreement among iGT UNC Parties.

## The modification proposal

This modification seeks to introduce a requirement for every modification proposal to include a recommended implementation date.

Under the proposed modification the party proposing the modification would have to include a recommended implementation date in its modification proposal. The proposed implementation date may be commented on during consultation.

The iGT UNC Panel would then either unanimously agree to the proposed implementation date or determine an alternative, again by unanimous vote, being no later than the fifth scheduled iGT UNC release (of which there are three a year). If unanimous agreement cannot be reached, a 'backstop' date of 6 iGT UNC releases from Authority approval will be used. An implementation date will therefore be determined for all modifications and recorded in the FMR.

## iGT UNC Panel<sup>2</sup> recommendation

At its meeting of 18 June 2008 the iGT UNC Panel unanimously recommended the implementation of iGT UNC 018.

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

## The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report dated 27 June 2008. The Authority has concluded that:

1. implementation of the modification proposal would further the relevant objectives as defined in Standard Condition 9 of the Gas Transporters Licence<sup>3</sup>; and
2. directing that the modification be made and is consistent with the Authority's principal objective and statutory duties.

## Reasons for the Authority's decision

We note that four of the five respondents to the consultation supported the implementation of this proposal and that the remaining respondent provided qualified support for the proposal. We also note that no responses opposing the proposal were received

The majority of respondents who commented considered that the implementation of this proposal would facilitate the promotion of efficiency in the implementation and administration of the network code and/or the network code.

Respondents broadly agreed that the proposal would address a lack of certainty under the current arrangements as to when a modification will be implemented and also ensure that there was proper discussion of implementation dates during the consultation process.

We agree that the proposal should ensure that issues surrounding implementation are more properly considered when a modification is raised than is currently the case. In our view, introducing a requirement to include recommended implementation dates for all modification proposals provides an opportunity for code parties to provide comment on the suitable implementation timetable for a modification during the consultation process; whether to support the proposed implementation date, raise any concerns about timescales or highlight potential problems. These issues could then be taken into account by the iGT UNC Panel.

Wherever possible and so far as it is consistent with other relevant objectives, modification procedures should be in alignment with the iGTs obligations under licence. We note that Standard condition 9 the Gas Transporters Licence stipulates that modification procedures shall provide for a proposed implementation date such as to enable any modification proposal to be made as soon as practicable after receipt of a direction by the Authority to make a modification<sup>4</sup>. The condition also allows for an implementation date to be altered with the consent of, or as directed by the Authority<sup>5</sup>.

By ensuring that an implementation date is provided in each occasion an FMR is submitted to the Authority, we consider that this proposal will better facilitate relevant objective (c) *the efficient discharge of the licensee's obligations under its licence*, than the current modification rules. However, whilst we consider it is appropriate for the Panel to determine implementation dates, taking into account any representations received, it

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<sup>3</sup> As set out in Standard Condition 9 of the Gas Transporters Licence, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=13355](http://epr.ofgem.gov.uk/document_fetch.php?documentid=13355)

<sup>4</sup> Paragraph 7(g)

<sup>5</sup> Paragraph 17

should be cognisant of the obligation referred to above. We would therefore expect the Panel to provide transparent rationale for its determinations, where appropriate demonstrating that it has weighed the potentially competing aims of implementing modifications as efficiently and economically as possible and realising the benefits of a modification at the soonest opportunity.

We have considered whether the proposal conflicts with relevant objective (a) *the efficient and economic operation of a pipe-line system* – by imposing an unreasonable burden on iGTs to implement any changes arising from a modification proposal within a specified implementation date. However, we consider there to be sufficient flexibility in the proposed arrangements for iGTs to identify potential impediments and agree realistic lead times.

Therefore, for the reasons set out above, we agree with the recommendation of the iGT UNC Panel recommendation that the implementation of this proposal will better facilitate the achievement of relevant objective (f) *the promotion of efficiency in the implementation of the network code and/or the uniform network code*. We also consider this proposal to facilitate the achievement of relevant objective (c) *the efficient discharge of the licensee's obligations under its licence*.

We also note that we have recently published our decision on the scope of the Review of Industry Codes Governance; one of the work strands of which was to explore and progress opportunities for convergence of code modification processes. Whilst we consider iGT UNC 018 is a welcome development, its implementation does not preclude further consideration of this area, with the aim of establishing best practice across all relevant codes.

#### **Decision notice**

In accordance with Standard Condition 9 of the Gas Transporters Licence, the Authority, hereby directs that iGT UNC modification proposal 018: *'Determination of Implementation Dates by Panel'* be made.



**Mark Feather,**  
**Director of Industry Codes and Licensing, Corporate Affairs**  
Signed on behalf of the Authority and authorised for that purpose.