

Modification proposal:	Independent Gas Transporter Uniform Network Code (iGT UNC): Designation of existing 'AQ procedures' document as an Ancillary Document (iGT034)		
Decision:	The Authority ¹ directs that these proposals be made		
Target audience:	Independent Gas Transporters (iGTs), Parties to the iGT UNC and other interested parties		
Date of publication:	24 August 2011	Implementation Date:	To be confirmed

Background to the modification proposal

Annual Quantity (AQ) values are used for the purpose of calculating transportation charges. The process for the AQ review is set out in part C1 6 of the iGT UNC.

The 'AQ procedure' document ("the Document") sets out the operational aspects of the annual iGT AQ review procedures and provides iGT UNC Operators and Users with additional procedural information on the iGT AQ review process.

The modification proposal

The modification proposal seeks to designate the Document as an Ancillary Document to the iGT UNC. The concept of Ancillary Documents was introduced by iGT UNC Modification 008 'Ancillary Documents'². Ancillary Documents are primarily of a technical nature and cover operational procedures.

iGT008 also set out the following supporting provisions for Ancillary Documents:

- requirement to publish the ancillary document on the iGT UNC website;
- the creation of a new version of the ancillary document following any revision;
- to enable GTs or Users to propose revisions to the ancillary document by written notice to the iGT UNC Panel;
- prevent any revisions being made to the ancillary document without approval by majority vote of the iGT UNC Panel, unless via the iGT UNC modification process; and
- in the event of the iGT UNC Panel failing to come to a majority view, allowing the change proposal to proceed as an iGT UNC modification.

It should be noted that the modification proposal does not propose any changes to the Document itself other than renaming it the 'iGT AQ Review Procedures' document for clarity.

iGT UNC Panel recommendation

The modification was considered at the iGT UNC panel on 20 July 2011. The panel voted unanimously in favour of implementing the modification.

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

² iGT UNC 008., Decision letter, 13 February 2008.

<http://www.ofgem.gov.uk/Licensing/GasCodes/iGTCodes/Mods/Documents1/iGTUNC008D.pdf>

The Authority's decision

The Authority has considered the issues raised by the modification proposals and the Final Modification Reports (FMR) dated 27 July 2011. The Authority has concluded that:

1. implementation of the modification proposals would better facilitate the achievement of the relevant objectives of the iGT UNC as defined in Standard Condition 9 of the Gas Transporters Licence³; and
2. directing that the modifications be made is consistent with the Authority's principal objective and statutory duties.

Reasons for Authority's decision

The iGT UNC panel considered the modification proposal to better facilitate relevant objectives (f). In particular that the modification would provide greater clarity with respect to the status of the Document and also introduce more efficient governance by allowing for minor changes to be made without the need for a formal code modification.

We note that all five respondents considered the modification proposal to better facilitate relevant objectives (f) with one of the five respondents' indicating that it also facilitates relevant objectives (a) to (d), but did not elaborate with reasons.

We consider the modification better facilitates relevant objective (f), and is neutral in relation to all other objectives.

Objective (f): the promotion of efficiency in the implementation and administration of the network code

The modification proposal states that the status of the AQ procedures document with respect to governance is currently unclear, suggesting that it may either be;

- part of iGT UNC in which case change governance arrangements for the Document are too onerous, or
- subject to no governance whatsoever, in which case there is uncertainty as to how changes to the Document may be made.

We note that part C 6.1(d) of iGT UNC states that, for the purposes of the Modification Rules only, the Document is deemed to be incorporated into and form part of the Code.

We do not consider the current arrangements to be as ambiguous as the modification proposal suggests. In our view, part C 6.1 (d) of iGT UNC makes clear that whilst the Document does not form part of the iGT UNC itself, any changes to the Document would currently need to be made in accordance with the Modification Rules as set out in Part L of iGT UNC.

We do however agree with the proposer's comments in the FMR that current change governance arrangements for the Document are too onerous given the supportive nature and operational content of the Document. We also agree that designating the Document as an Ancillary Document would introduce more proportionate change procedures.

³ Gas transporter licence standard conditions http://epr.ofgem.gov.uk/document_fetch.php?documentid=14307

We consider it appropriate and consistent with our better regulation duties for minor changes to the Document to be subject to agreement by iGT UNC parties themselves through means of the iGT UNC Panel rather than requiring the approval of the Authority.

One respondent who provided qualified support for the modification proposal expressed concerns that in the absence of a defined test for what constitutes a 'minor change', the modification proposal may allow the iGT UNC Panel to unduly amend the Document without full engagement with wider industry and impacted parties.

We would expect any minor changes to be assessed by the iGT Panel on its merits and on a case by case basis. Any concerns with respect to a proposed change can be raised by relevant parties at that time. We also note that the modification proposal has no bearing on a Party's ability to raise a iGT UNC modification and that any proposed change that does attain a majority of the iGT UNC panel support will continue to be directed through the normal modification process.

Decision notice

In accordance with SLC 9 of the Gas Transporter licence, the Authority directs that modification proposals iGT034: "Designation of existing 'AQ Procedures' document as an Ancillary Document" be made.

Declan Tomany

Associate Partner, Smarter Grids and Governance

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