

Modification proposal:	Independent Gas Transporter Uniform Network Code (iGT UNC): Independent Secretariat Services for Modification Work Groups (iGT062/062AA)		
Decision:	The Authority ¹ directs that iGT062 be made ²		
Target audience:	Gemserv, Parties to the iGT UNC and other interested parties		
Date of publication:	20 November 2014	Implementation Date:	27 February 2015

Background

The iGT UNC Modification Panel³ and the Shipper Standing Work Group⁴ each have an independent secretariat and chair. These functions are undertaken by the iGT UNC Code Administrator (CA), currently Gemserv.

These CA services do not extend to any other work group set up for a modification proposal. Work groups can be incorporated within the Shipper Standing Work Group, where they will usually benefit from the independent secretariat and chair services supplied by the code administrator.⁵ However, there is currently no requirement for this to happen and modification proposals not incorporated within the Shipper Standing Group are chaired and administered by iGTs rather than the CA.

The modification proposal

iGT062, and the alternative proposal 062AA, seek to implement 12 independently chaired work groups per year, convened monthly, and described as 'Modification Workstreams'. It is proposed that the CA will provide independent chairmanship and full secretariat services for each of these Modification Workstreams. It also proposes that independently chaired ex-committee work groups will assess urgent modifications, where the Panel considers that it would be inappropriate to wait for the next scheduled Modification Workstream or Shipper Standing Work Group. It is anticipated that the need for ex-committee meetings will be low.

iGT062 and 062AA propose to enable sub-groups to be established to do additional work if needed but it would not be required that these are independently chaired or require secretariat services to be provided by the CA.

The difference between iGT062 and 062AA is that they propose different funding arrangements. Under iGT062, the iGTs would bear the cost of the independent chair and secretariat services at an estimated total cost of £20,000 to £25,000 per year. The proposer, SSE, considers that the costs of administering the code should be borne by iGT parties. The proposer considers that iGTs will benefit through more accurately sharing the costs of resourcing Modification Workstream meetings when compared to the current

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 This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ The iGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the iGT UNC Modification Rules.

⁴ As defined in Part L section 2 of the iGT UNC.

⁵ On occasion, it may be decided that the CA should not be present at the workgroup, in which case another party would chair and administrate.

system. In addition, this proposer considers that Standard Licence Condition 9⁶ requires iGTs to establish and administer the code.

Under iGT062AA, the cost of the 12 Modification Workstream meetings would be split 50/50 between iGT and shipper parties. The proposer of the alternative, GTC, considers that the addition of independent chair and secretariat services will come at an additional cost to iGTs that outweighs any potential benefits to them detailed in iGT062. iGT062AA therefore proposes that all parties that benefit from the additional services contribute towards their costs. In order to share these costs, iGT062AA proposes that the iGTs will initially pay the CA directly via an agreed contract. The iGTs will then invoice half the cost to shippers based on their number of supply points calculated as a percentage of the total number of supply points on each iGT portfolio. It proposes that these charges will be recovered on a quarterly basis.

iGT UNC Panel recommendation

On 15 October 2014 the iGT UNC Panel held its final discussions on the original modification proposal and the alternative. The Panel recommended to the Authority that iGT062 should be made and that iGT062AA should not be made. The Panel also determined that it should be implemented in the first scheduled release three months after the Authority decision.

Our decision

We have considered the issues raised by the original and alternative modification proposal and the Final Modification Report (FMR)⁷ dated 17 October 2014.⁸ We have considered and taken into account the responses to Genserv's consultation which are set out in the FMR. We have concluded that:

1. implementation of iGT062 will better facilitate the achievement of the relevant objectives of the iGT UNC;⁹
2. implementation of iGT062AA will not, overall, better facilitate the achievement of the relevant objectives; and
3. directing that the modification be made is consistent with the Authority's principal objective and statutory duties.¹⁰

Reasons for our decision

We have assessed the original and alternative proposal against the relevant objectives and consider that they impact on objectives (d) and (f). We consider that they have a neutral impact on the other objectives.

⁶ https://epr.ofgem.gov.uk//Content/Documents/Gas_transporter_SLCs_consolidated%20-%20Current%20Version.pdf

⁷ iGT UNC modification proposals, modification reports and representations can be viewed on the iGT UNC website at <http://www.igt-unc.co.uk/>

⁸ An updated version of the FMR has been published, dated 22 October 2014, which corrected a typographical error.

⁹ As set out in Standard Condition 9 Gas Transporters Licence, see:

https://epr.ofgem.gov.uk//Content/Documents/Gas_transporter_SLCs_consolidated%20-%20Current%20Version.pdf

¹⁰ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

(d) the securing of effective competition between relevant shippers and between relevant suppliers

We note that a number of respondents to the consultation considered that both the original and alternative proposal better facilitate this objective. We would expect that having the CA provide secretariat services, for example publishing minutes and providing impartial chairmanship at the Modification Workstreams, should ensure the views of smaller participants and new entrants can be more effectively articulated and taken into account. This should in turn assist them to propose and engage in the development of solutions. Although we consider any impact on competition would be marginal, we consider that measures that make it easier for smaller parties to engage with the iGT UNC modification procedure would have a positive impact on competition.

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

All respondents who replied positively to the consultation considered that both the original and alternative proposal better facilitate this objective, and the Panel agreed. We agree that iGT062 will better facilitate this objective as it should provide for a more streamlined, consistent and efficient process. This is consistent with the requirements of the Code Administration Code of Practice,¹¹ including the 'Critical Friend' requirements which are aimed at ensuring that all parties have the access and support needed to engage with the code, including raising and developing code modification proposals.

We note that iGT062AA also delivers these benefits but proposes additional provisions to allocate some of the costs to shippers. We do not agree that this alternative cost recovery mechanism has been demonstrated to be justified in this case. We do not expect that any additional costs should be significant, and note that iGT UNC running costs are already funded under the iGT Relative Price Control (RPC).¹² We expect that the iGTs will ensure that any increased costs are efficiently incurred. We therefore do not consider that iGT062AA has been demonstrated to better facilitate this objective overall.

Decision notice

In accordance with Standard Condition 9 of the Gas Transporters Licence, the Authority hereby directs that modification proposal iGT062: *'Independent Secretariat Services for Modification Work Groups'* be made.

Lesley Nugent
Head of Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose

¹¹ Principle 1 of the Code Administration Code of Practice (CACoP) states that CAs are expected to act as a 'Critical Friend' to code users. A copy of the CACoP can be found here: <https://www.ofgem.gov.uk/ofgem-publications/85687/cacovp30.pdf>

¹² Special Condition 1 of the Independent Gas Transporter Licence. The Relative Price Control enables the iGT to recover their costs through charges that reflect the local Gas distribution methodology.