

Modification proposal:	Independent Gas Transporter Uniform Network Code (iGT UNC): Change to the iGT UNC Gas Day to align with the Gas Day in EU Network Codes (iGT063)		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	Gemserv, Parties to the iGT UNC and other interested parties		
Date of publication:	11 November 2014	Implementation Date:	1 October 2015

Background to the modification proposal

The final report of the European Commission's sector inquiry into competition in gas and electricity markets (published in January 2007)³ noted, amongst other things, the lack of effective competition in European markets.

In response, a suite of legally binding European Union (EU) legislation, referred to as the Third Package,⁴ on European electricity and gas markets, was introduced and adopted on 13 July 2009. The Third Package was transposed into GB law by Regulations⁵ that came into force on 10 November 2011.

The Third Package created a new legal framework to promote cross-border trade. It requires a number of legally binding Guidelines and Network Codes to be established and implemented. Taken together, these aim to promote liquidity, improve integration between Member States' gas markets and promote the efficient use of interconnectors to ensure that gas flows according to price signals, ie to where it is valued most.⁶ These EU legislative requirements take priority over GB domestic legislation and associated regulations and codes, including the iGT UNC.

The relevant EU legislation for this modification is contained in two European Network Codes:

1. Capacity Allocation Mechanisms in Gas Transmission Systems (CAM)⁷, which was published in the Official Journal of the European Union (OJEU) on 15 October 2013 and applies from 1 November 2015. This EU legislation applies to interconnection points⁸ and defines the 'gas day' as "the period from 5:00 to 5:00 UTC⁹ the following day for winter time and from 4:00 to 4:00 UTC the following day when daylight saving is applied".¹⁰

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 <http://ec.europa.eu/competition/sectors/energy/inquiry/>

⁴ In relation to gas, the Third Package includes Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (the "Gas Directive") and Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 (the "Gas Regulation").

⁵ The Electricity and Gas (Internal Markets) Regulations 2011 (the Regulations) gave effect to these changes.

⁶ See Article 8(6) of the Gas Regulation for the areas required to be covered by network codes.

⁷ Commission Regulation (EU) No 984/2013 of 14 October 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009 of the European Parliament and of the Council: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:273:0005:0017:EN:PDF>.

⁸ A physical or virtual point connecting adjacent entry-exit systems or connecting an entry-exit system with an interconnector, in so far as these points are subject to booking procedures by network users.

⁹ Coordinated Universal Time.

¹⁰ CAM Article 3(7).

2. The Gas Balancing of Transmission Networks Network Code¹¹ (BAL), which was published in the OJEU on 27 March 2014 and applies from 1 October 2015. BAL has the same definition of gas day as that contained in Article 3 of CAM. BAL applies to balancing zones, which includes the downstream sector.¹²

On 28 March 2014 the Authority approved a change to the Uniform Network Code (UNC461).¹³ This modification implemented necessary changes to the UNC and its associated documents to facilitate compliance with the new EU definition of gas day with effect from 1 October 2015.

The iGT UNC, like the UNC, refers to the Gas Day and so will need to be amended to facilitate compliance with the EU legislation.

The modification proposal

iGT063 proposes to change specified 06:00 time references within the iGT UNC to 05:00 to align with the new EU gas day definition. It proposes to amend three definitions within the iGT UNC, altering them from 06:00 to 05:00.¹⁴ These definitions are:

- Business Day
- Day
- Gas Year

GTC, the proposer, believes that this modification will better facilitate relevant objectives (b) and (g).¹⁵

The proposer considers that the modification will better facilitate relevant objective (b) as they consider that it will be a positive step to aligning the meaning of Gas Day throughout the relevant industry codes. They consider that this in turn will facilitate coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters.

The proposer also considers that it will better facilitate relevant objective (g) as changing the definition of the GB gas day in the iGT UNC to correspond with the definition of the gas day in CAM will facilitate compliance with European law.

¹¹ Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2014_091_R_0015_01&from=EN.

¹² In other words, across the onshore gas industry.

¹³ <https://www.ofgem.gov.uk/publications-and-updates/uniform-network-code-unc-unc461-changing-unc-gas-day-align-gas-day-eu-network-codes>

¹⁴ For the avoidance of doubt, we consider times expressed in the iGT UNC to be expressed in GB local time, ie British Summer Time (BST) when daylight saving time is applied (currently between the last Sunday in March and the last Sunday in October) and Greenwich Mean Time (GMT) otherwise. This means that the proposed changes for the iGT UNC will align with the reference to daylight saving time in the CAM/BAL definition of gas day expressed as UTC.

¹⁵ As set out in Standard Condition 9 Gas Transporters Licence, available at: https://epr.ofgem.gov.uk/Content/Documents/Gas_transporter_SLCs_consolidated%20-%20Current%20Version.pdf.

iGT UNC Panel¹⁶ recommendation

On 15 October 2014 the iGT UNC Panel voted unanimously in favour of implementing iGT063. The Panel supported the view of the proposer that it would better facilitate relevant objectives (b) and (g). The Panel also determined that iGT063 should be implemented by 1 October 2015 to align with the implementation deadline of BAL and UNC461 implementation date.

The Authority's decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 17 October 2014. We have considered and taken into account the responses to Genserv's consultation on the modification proposal which are attached to the FMR.¹⁷ We have concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the iGT UNC¹⁸; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties.¹⁹

Reasons for the Authority's decision

All of the four respondents to the industry consultation offered support for iGT063. We agree with the iGT UNC Panel that iGT063 better facilitates iGT UNC relevant objectives (b) and (g). We consider that it has a neutral impact on the other objectives.

(b) the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters

Two of the respondents to the industry consultation agreed that this modification will further facilitate this objective. The implementation of iGT063 will ensure the iGT UNC is aligned with the UNC. We consider that this will ensure coordinated, efficient and economic operation of the pipe-line system of the gas transporters because it will ensure that the rules under the two codes, the iGT UNC and the UNC, follow the same 24 hour period.

(g) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators

As noted by the proposer, the iGT UNC Panel and by three²⁰ of the industry consultation respondents, iGT063 introduces changes which align the iGT UNC with the new EU legislative definition of gas day. This new EU legislative definition is part of legally binding

¹⁶ The iGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the iGT UNC Modification Rules.

¹⁷ iGT UNC modification proposals, modification reports and representations can be viewed on the iGT UNC website at <http://www.igt-unc.co.uk/>.

¹⁸ 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.

¹⁹ 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.

²⁰ One respondent commented that the impact of iGT063 on the relevant objectives would "ensure that all parties are working to the same definition". They did not specifically reference any of the relevant objectives.

decisions of the Commission. We therefore agree that implementation of UNC461 would better facilitate relevant objective (g).

Implementation

iGT UNC63 suggests an implementation date of 1 October 2015 to align with the UNC and so as to be compatible with CAM and BAL's implementation deadlines. We agree with this approach as it will aid compliance with BAL and CAM once they become applicable.

Decision notice

In accordance with Standard Condition 9 of the Gas Transporters Licence, the Authority hereby directs that modification proposal iGT063 'Change to the iGT UNC Gas Day to align with the Gas Day in EU Network Codes' be made with implementation effective from 1 October 2015.

Rob Mills

Interim Associate Partner, Wholesale Markets

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