

iGT UNC Modification Proposal

Date	01 February 2011
Urgency	Non-urgent
Reference	iGT033
Status	Consultation
Title	Consider the duration of changes against wider industry developments
Proposer	Sham Afonja RWE Npower
iGT UNC / Pipeline Operator	iGT UNC
Modification Proposal Dates	<i>Circulation: 18/02/2011</i> <i>Response: 11/03/2011</i> <i>Circulation of DMR: 01/04/2011</i> <i>Response to DMR: 26/04/2011</i> <i>DFMR published: 18/05/2011</i> <i>DFMR considered at Panel: 15/06/2011</i> <i>FMR sent to authority: dd/mm/yyyy</i> <i>Circulate Authority's determination: dd/mm/yyyy</i> <i>Suggested Implementation date: dd/mm/yyyy</i>

Urgency

N/A

Background

With the rollout of Smart Metering and the development of the Smart Energy Code (SEC) within 2011 it will be necessary to develop complex interoperability arrangements and formulate a governance process that will be compatible with a legacy and a Smart world. During 2011 and 2012, the industry will develop a SEC that may incorporate elements of the existing Codes and Agreements.

The industry will have to manage the existing baseline and develop the new SEC. For some time, there will be uncertainty about the scope and content of the SEC and the existing Codes. Whatever architecture is chosen for the Smart Metering Implementation Programme, there will need to be changes to parties' and central systems and processes, and the industry baseline will have to change to cater for these new arrangements. This may lead to situations where parties may have to make short term changes under the iGTUNC, only to have to change them again to incorporate provisions for the SEC a short while later.

The Proposal

Throughout 2011 and 2012 the industry will change to incorporate Smart Metering Arrangements and other developments that may affect elements of the existing industry Codes and Agreements. During the period of transition from the existing baseline to a new Smart Energy Code there will be uncertainty about the scope and content of both the new and existing industry Codes.

To ensure that any changes being proposed under the iGTUNC are considered in the light of longer-term developments in the industry. This proposal will place a requirement on the Modification Panel to take into account wider industry developments, such as the development of the Smart Metering Arrangements when a proposed change to the iGTUNC is made. The intention is to give the Modification Panel the power to defer a decision on recommendation of any changes where this is considered appropriate.

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Without change to the Modification Panel's duties there is a risk that iGTUNC Modification proposals would not be considered in this light and the Panel would therefore recommend change that would have a significant impact to the rollout and implementation of smart metering in the short term.

We believe this will also encourage Proposer's of change to fully consider the future implications of their proposal and in particular if it would be short lived as further change would be necessary to incorporate Smart arrangements. The changes that will occur to the industry will place a large cost burden on market participants and therefore on consumers. This proposal will help to mitigate this and therefore keep costs down over the course of the smart rollout and any interoperability period.

We are aware that the Authority now has the ability to raise a Significant Code Review (SCR) and require the Panel to notify them of any Proposals that are raised which would fall into the scope of the SCR. The Authority can then choose to suspend these for the duration of the SCR. We believe that this Proposal would not interfere with this process as the Panel are required under this Modification to consider the impacts at the final stage of the process whereas under an SCR they would consider the modification at the start.

How will the proposal operate?

A duty will be placed upon the Panel when considering Draft Final Modification Report to have regard to any likely short term impacts on industry and /or party systems and processes. If any of these are determined to be detrimental the Panel shall not make a recommendation with respect to implementation until an appropriate time in the wider industry development process is reached. The Panel will instead defer the consideration of the Modification Proposal until the next meeting. When the Panel are confident that no detrimental impact will occur they can make a recommendation on implementation of the modification. From this point on we envisage that the Proposal will proceed through the process in the normal way.

This is not intended to arbitrarily prevent change. We envisage there will be much change to the iGTUNC that can be progressed in the short term. However, we believe this will encourage parties to bear in mind the likely impacts of change in the current fluid situation we are in when responding to consultation on Modification proposals and also when raising proposals.

We would emphasise at this point that any Workgroup developing the Proposal and Proposers themselves should consider this additional duty when creating Modifications and finalising Workgroup Reports.

We believe that this duty must sit on the Panel at the stage of reviewing the Draft Final Modification. We envisage that this IGTUNC Modification if implemented will apply to all Proposals that have not been recommended for implementation up to that point.

In addition to that identified above, the Proposer has identified the following advantages:

- As this change will require the Panel to consider the wider industry impacts of any proposal and duration it will encourage other signatories to consider this within their proposals as they will seek to improve the Panel's viewpoint. This allows for a much greater consideration of the ongoing impact of any change.
- The benefit to competition will also benefit the consumer because as Suppliers seek to recover costs of the rollout from customers it would not be prudent to enforce further development costs on industry participants which would then need to be passed onto the consumer.

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Suggested timescale for implementation

This modification should be implemented as soon as possible to allow for the development of the Smart Metering arrangements throughout 2011.

Section of the Code Concerned

IGTUNC Part L - Modification Rules (Clause 18.5)

Facilitation of the relevant objectives

How this proposal will, if implemented, better facilitate the “code relevant objectives”, as defined in Standard Condition 9 of the Gas Transporters Licence. For those answered Yes to, please provide a detailed explanation below the table.

Relevant Objective	Yes/No
a. the efficient and economic operation of the pipe-line system to which this licence relates	
b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters	
c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence	
d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers	Yes
e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers	
f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition	Yes

Relevant Objectives to be better facilitated:

(d) This will better facilitate competition by ensuring that industry participants are not subject to unnecessary additional costs from short term changes, and also by encouraging market participation by ensuring cost exposure to new players in an interim period is limited. This will have the added benefit of keeping costs down therefore protecting consumers and smaller suppliers, shippers and small transporters.

(f) This Proposal will better facilitate this objective by ensuring that the Panel can effectively administer change in what will be a challenging environment and help to ensure that any change made to the Code does not adversely impact Smart arrangements and possible interoperability in the future.

Likely impact on environment?

How this proposal will, if implemented, impact on greenhouse gas emissions? If there is likelihood, please also advise if an assessment of the quantifiable impact of the proposed modification on greenhouse gas emissions is required?

N/A

Implementation issues including impact on systems:

N/A



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Proposed Legal Text

Wherever possible, a proposal should contain proposed draft legal text to reflect how the Network Code would change if the proposal were implemented.

Completed forms should be returned to the iGT UNC Representative, Gemserv Ltd at iGT-UNC@gemserv.com or faxed to 020 7090 1001