

RFI details

RFI reference	RG004
RFI title	Review of IGT Governance and administration arrangements
Version Number	V0.2
Date issued to Industry	18/07/2018
Response deadline	22/08/2018
Affected Industry Participant roles	IGTs, Shippers, Suppliers, CDSP

Respondent contact details

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Response Date	28 th August 2018
Anonymous response (Y/N)?	No

Summary of Issue

In March 2018, SSE raised a review group request (RG004 - Review of IGT Governance and administration arrangements). The rationale for raising the review group is that following implementation of Project Nexus, IGTs became signatories to the Central Data Service Provider arrangements, with all IGT Supply Meter Points being recorded and administered within a consolidated central system. As a result of this, a majority of modifications in the UNC are resulting in corresponding changes requiring to be made in the IGT UNC. Consequently, since Project Nexus, significant IGT UNC Modification Workstream business has involved the assessment of the impacts of UNC modifications on the IGT UNC, resulting in parties raising mirror modifications to make the corresponding changes to the IGT UNC, or to make minor changes to IGT UNC references to the UNC due to the insertion or deletion of legal text within the UNC which has resulted from UNC modifications.

The perceived problems for industry, as agreed by the June IGT UNC Workstream meeting are detailed below:

1. Much IGT UNC work is administrative and is resulting in industry resources not being used in the most efficient manner.
 - It is perceived that an increasing number of modifications raised to the IGT UNC and its Ancillary Documents are raised to simply reflect changes to associated clauses in the UNC. It is considered that such changes may constitute a level of bureaucracy that could be avoided. Gemserv will carry out analysis to determine whether that perception is valid (see Appendix B).
 - When changes are raised to the UNC that have an impact on the IGT UNC, it is not always possible to the proposer of the UNC change to raise the equivalent IGT UNC change (i.e. where the raising party is a Large Gas Transporter). This introduces a reliance on a third party (who is a party to the IGT UNC) raising the change to the IGT UNC when it may not be fully aligned to their interests.
 - Due to the perceived administrative nature of much of the recent IGT UNC modification activity, it has been considered that engagement at Modification Workstream meetings has suffered, as parties may not prioritise meetings discussing changes of such nature (see Problem 2).
2. Engagement and attendance at IGT UNC Modification Workstreams has decreased, which could negatively impact the suitability of solutions developed by the group to be implemented by the market.
 - There is a perception that attendance at meetings of the Modification Workstream has decreased over recent months, which could be attributed to the implementation of Project Nexus changes, and the 'pointing to' approach.
 - The Code Administrator will seek to confirm whether this perception is valid and whether any lower level of engagement is out of line with wider industry trends (see Appendix A).
3. Shipper positions on the IGT UNC Modification Panel are not being filled, creating a potential issue with quoracy.
 - Since March 2018, there has been one Shipper vacancy on the IGT UNC Modification Panel, as no nominations were received to replace the previous incumbent. Whilst there remains a quoracy with two of three positions filled, there is a further Shipper position up for nomination in August 2018. If that position becomes vacant, quoracy cannot be obtained and Panel business will not be able to proceed. *Code Administrator note – Whilst this is set out in Part L6.9, the Code does allow that where a Panel meeting is not quorate, a follow up Panel meeting can be scheduled at which the Voting Members present shall be a quorum. Whilst this may not be ideal, it does ensure that Panel business can continue regardless of the number of Panel positions filled.*

It is essential that this RFI is read alongside the appendices.

Assessment Request

We are asking all industry stakeholders to review this document including the detailed appendices and answer the 5 below questions. Where applicable please give detailed explanations, examples and where required a high-level cost/benefit analysis on all suggested solutions.

Questions and responses

Question 1

The proposer of RG004 has outlined the following problem areas within the current IGT UNC governance:

- ♦ Much of IGT UNC work is administrative;
- ♦ Engagement and attendance has declined since Project Nexus Implementation; and
- ♦ Shipper positions on the Panel are not being filled.

For each of these, do you agree these are a problem? Where you answer yes please indicate if you believe reform is required and any urgency/timeline required for any reform.

Initial analysis of data can be found in Appendix B and C, and should be considered alongside the perceived problem statements above.

¹Please provide a detailed justification of your position.

WWU is not a party to the IGT UNC; however we agree that adequate engagement and attendance is required to ensure that proposals receive sufficient scrutiny. We are aware that the IGT UNC needs to raise modifications to reflect changes to the UNC.

Question 2

The Review proposer and the review group have discussed a number of suggested solutions, these being:

1. To amalgamate all common areas of the IGT UNC and the UNC into the UNC and to make all those areas that are not common to both Codes an Ancillary Document to the UNC
2. To create a common UNC and IGT UNC modification process so that when a modification is raised under the UNC it considers the IGT UNC, and requires any changes to the IGT UNC legal text to be produced simultaneously

¹ [Appendix B](#) and [Appendix C](#)

3. To amend the IGT UNC to reference the UNC at a much higher 'section type' level rather than at the clause level
4. To put the IGT UNC (and its Ancillary documents) in their entirety into the UNC as a separate section, akin to the IGTAD
5. Allowing the Code Administrator to raise non-material modification proposals on behalf of industry in order to cut down on duplicated resource, and reduction in the frequency of modification workstream meetings.
6. 'Do nothing approach'

Please provide your view on each solution including where possible the anticipated costs / benefits for each solution?

Some detailed analysis of these solutions can be found in Appendix A.²

Comments on the options

- 1) Amalgamate all common areas of the IGT UNC and the UNC into the UNC and all area not common across both codes into an ancillary document
This would require major changes to the UNC to remove common elements; by putting some elements that are currently in the UNC into an ancillary document might be seen as downgrading the importance and visibility of these provisions. Therefore for the UNC we see this as administratively burdensome, expensive due to the resource required including for legal text, offering no benefits and probably detrimental to UNC parties. For the IGT UNC this would mean that the IGT UNC became a document that contained IGT only provisions. We are not clear on whether the resource required for this would be materially less than for option 4, it may be that the wider issues raised by option 4 might not need to be addressed with this option, which would seem to be the only material saving. We think that in due course there would be a move from option 1 to option 4.
- 2) Create a common UNC and IGT UNC modification process
This option would require a modification to provide legal text for both the UNC and IGT UNC.. Large transporters, typically the DNs, would need to propose text to an agreement to which they are not a party. This option does not address the problem of DN raised UNC modifications having an impact on the IGT UNC because an IGT UNC change would still be required. Some UNC changes clearly have an impact on the IGT UNC but here may be more than one possible solution. For some modifications a simple replication may be sufficient but for others, for example UNC 0647 (where DNs provide a service to IGTs on the back of a service to Shippers and which the proposal seeks to remove) there may be more than one feasible solution. In these cases we do not see how the DNs could produce legal text as it is not clear which solution would be progressed for the IGT UNC.
- 3) Amend the IGT UNC to reference the UNC at a much higher 'section type' level
We note that there are some parts of the UNC that would not apply to the IGT UNC for example prime and sub-deduct networks and Special Supply Metering Points so we would caution that this approach needs to be carefully considered to avoid accidentally introducing unwanted provisions into the IGT UNC. This approach may mean that major changes could be made to the IGT UNC by a change to the UNC.
- 4) Put the IGT UNC (and its Ancillary documents) in their entirety into the UNC as a separate section
In principle this is straightforward; however it raises a number of important questions relating to the ongoing governance and funding of UNC arrangements including:

² [Appendix A.](#)

- a. Who is responsible for the UNC under licence and hence responsible for legal text provision
- b. Who is responsible for setting up and funding of the Joint Office
- c. Membership of the UNC modification panel which is probably currently about as large as is manageable
- d. Whether members are likely to have the experience to adequately consider changes to the UNC that range from Interconnector arrangements to IGT arrangements, (this is not a new issue but exacerbates an existing issue). It may be that in future modification proposals and workgroup reports will need to contain more explanatory information to make them accessible to those without specialist knowledge;
- e. should some form of constituency voting be introduced.

We raise these points because we think that they are relevant and should be considered not because we necessarily think that changes are required. In consequence the implementation of this option will be complex and will need to have Ofgem's active involvement because licence changes may be required.

5) Allowing the Code Administrator to raise non-material modification proposals

This option is a matter for the IGT UNC parties

6) Do nothing approach

If the problem is as serious as is stated this is not sustainable beyond the short term.

Question 3

Does your organisation have a preferred option? Please advise which and any rationale for this.

1) Option 4 (Put the IGT UNC (and its Ancillary documents) in their entirety into the UNC as a separate section)

This would be a logical end to the path of the development of IGT network codes. Originally they were separate documents; the IGTs then developed the IGT UNC and on 1st June 2017 the IGT Ancillary Document was added to the UNC and IGTs became members of the UNC modification panel. Option 4 is probably the long term solution but there are a number of major issues to address which will need careful consideration. The issues impact on licences and funding of DNs and NTS but are unlikely to be resolved in time to include changes in the RIIO GD2 and GT2 timescales. In the interim a short term solution internal to the IGT UNC is probably required. We note that there are advantages in having one network code for all licensed gas transporters in Great Britain but observe that the problem with a wide ranging agreement is that many elements don't apply to particular parties. This can lead to parties looking at the title of a modification proposal and assuming that it has no effect on that party but discovering later that it makes a subtle change to a definition or provision that has an unforeseen consequence. Larger codes, while providing overall benefit, can increase the work for organisations that are only directly affected by small parts of it. From WWU's point of view this is not the most pressing issue involving IGTs; for example we think that IGT shrinkage needs addressing.

Question 4

Do you believe there are any key areas of concern that the Review Group has not identified? Or do you have any other solutions that you would like the Review Group to consider?

We suggest that the IGT UNC needs to consider a potential solution in stages:

- 1) Whether there is a permanent solution that is internal to the IGT UNC (options 3,5,6); or
- 2) if not whether there is a short term solution that is internal to the IGT UNC (options 3,5,6) with a permanent solution involving the UNC (options 1,2,4); or
- 3) whether the best approach is directly to a permanent solution involving the UNC (options 1,2,4)

Question 5

Any other comments or questions?

This consultation period is too short given the potential impact of some of the options and given that it has been issued when key people in respondent organisations are likely to be on leave. We suggest that the response window needs to run until the end of August. We realise that these issues have probably been discussed in IGT UNC meetings for some time but this is the first that we have been made aware of them.

What discussions if any have taken place with the Joint Office?

Have parties to the IGT UNC considered how any changes to the UNC required to implement options 1,2 or 4 would be funded?

Returning the RFI

Please return your RFI response to the Code Administrator at igtunc@gemserv.com.