

Modification proposal:	Independent Gas Transporter Uniform Network Code (iGT UNC): Introducing the concept of a derogation into the IGT UNC for innovation projects (IGT160)		
Decision:	The Authority ¹ directs ² that this modification be made		
Target audience:	iGT UNC Panel, Parties to the iGT UNC and other interested parties		
Date of publication:	5 July 2022	Implementation date:	To be confirmed by the code administrator

Background

Currently, the IGT UNC does not include the concept of derogation (relief from specific rules). However, the concept of derogation exists within some electricity industry codes already. For example, in Balancing & Settlement Code (BSC) and The Distribution Connection and Use of System Agreement (DCUSA).

On the 30 May 2022 we published our decision to accept the modification UNC800: Introducing the concept of a derogation framework into UNC (Authority Direction)³. The implementation of UNC800 is to be confirmed by the code administrator.

The modification proposal

Modification Proposal IGT160: Introducing the concept of a derogation into the IGT UNC for innovation projects was raised by Energy Assets Pipelines (“the Proposer”) in March 2022 and is linked to Uniform Network Code (UNC) derogation modification UNC800.

¹ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ [UNC 0800 - Introducing the concept of a derogation framework into Uniform Network Code \(UNC\) \(Authority Direction\) - 30 05 2022.pdf](#)

The Proposer states that, there is no concept of derogation within the IGT UNC, which means that where innovation projects need to be trialled there either needs to be a Modification raised to amend the relevant part of the Code, which changes this for all, or the trial needs to be amended or have additional unnecessary parameters to allow it to proceed.

IGT160 is seeking to a) ensure that where a derogation to the UNC affects an IGT network and the Use Case exists in the IGT UNC, the IGT UNC gives effect to that derogation; b) introduce a process for enabling stand-alone derogations to the IGT UNC; c) introduce the concept of Use Cases to set the scope of areas that can use the derogation powers and; d) introduce the first use case for "Net Zero innovation".

Creation of the derogation framework should allow for different types of derogation categories 'Use Cases' to be defined as they are required by industry. A new derogation use case may be added to the IGT UNC by raising a code modification, which would follow normal process.

Following UNC800, IGT160 will introduce the concept of derogation and a derogation framework within the IGT UNC. This will include the parameters around how this can be applied for, evidence required, restrictions, and decision-making criteria. The Authority is the final decision maker for derogation applications.

Specifically, this modification allows a derogation that is approved and implemented under the UNC process to automatically effect in the IGT UNC.

The IGT160 Final Modification Report outlines the Business Rules for the derogation framework describing the checks in place before a derogation is approved. The key steps include submission of the application for derogation to the Code Administrator, an initial Panel meeting, industry consultation, final Panel meeting and, finally an Authority decision.

IGT UNC Panel⁴ recommendation

⁴ The IGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the IGT UNC Modification Rules

At the IGT UNC Panel meeting on 27 May 2022, the IGT UNC Panel unanimously agreed that IGT160 would better facilitate the IGT UNC objectives and the Panel therefore recommended its approval.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 27 May 2022. We have considered and taken into account the responses to the industry consultation on the modification proposal which are attached to the FMR⁵. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the iGT UNC;⁶ and
- directing that the modification be made is consistent with our principal objective and statutory duties.⁷

Reasons for our decision

IGT160 was raised as a follow-up to IGT154: Introducing the concept of a derogation into the IGT UNC for innovation projects which we rejected on the 21 January 2022.⁸ We are now satisfied with the derogation framework proposed in IGT160. We consider that the risk and interaction with other derogation requests, or similar, would be minimal. The process proposed in IGT160 is suitably robust to ensure that derogations are well justified and in the consumers' interest.

We consider this modification proposal will better facilitate IGT UNC objectives (b) and (f).

⁵ iGT UNC modification proposals, modification reports and representations can be viewed on the iGT UNC website at <http://www.igt-unc.co.uk/>

⁶ As set out in Standard Condition 9 Gas Transporters Licence, available at: [Gas Transporter Standard Licence Conditions 08 04 2021 \(ofgem.gov.uk\)](http://www.ofgem.gov.uk/gas-transporter-standard-licence-conditions-08-04-2021)

⁷ 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.

⁸ <https://www.ofgem.gov.uk/publications/decision-reject-independent-gas-transporter-uniform-network-code-igt-unc-introducing-concept-derogation-igt-unc-innovation-projects-igt154>

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

We consider that the proposal would better facilitate IGT UNC Relevant Objective (b).

The Proposer states that the modification will have a positive impact on Relevant Objective (b) by ensuring that innovation trials within a geographic area that includes one or more IGT networks are able to incorporate those networks.

Two out of three consultation responses agreed that Relevant Objective (b) will be furthered by the modification. One respondent stated this was because the modification would enable innovative approaches to operating networks to be trialled. The Panel unanimously agreed that IGT160 will have a positive impact on Relevant Objective (b).

We consider that IGT160 will allow IGTs to take part more easily in innovation trials where appropriate. IGT160 should also encourage standalone innovation on IGT networks. We therefore consider that the modification would have a positive impact on IGT Relevant Objective (b).

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

We consider that the proposal would better facilitate IGT UNC Relevant Objective (f).

The Proposer states that the modification will have a positive impact on Relevant Objective (f) for two reasons. Firstly, the modification will remove the requirement to modify the IGT UNC to enable trials for innovation projects. Secondly, the modification will allow parties to apply for derogations and thus making non-compliance visible. Greater visibility should help impacted parties better understand the impacts of trials.

Two out of three consultation responses state that the modification would have a positive impact on Relevant Objective (f). One respondent noted that the modification removes the requirement to make enduring changes to the IGT UNC to support localised and time limited trials. The Panel unanimously agreed that IGT160 will have a positive impact on Relevant Objective (f).

We consider that the Modification will allow trials to proceed more efficiently in comparison to the current process. The evidence gathered in such trials could help inform wider Code changes that could in turn promote greater efficiency in the administration of the IGT UNC. The framework proposed will improve transparency.

We consider the modification proposal will better facilitate this Relevant Objective (f).

Decision notice

In accordance with Standard Condition 9 of the Gas Transporter Licence, the Authority hereby directs that modification proposal iGT UNC 160: *'Introducing the concept of a derogation into the IGT UNC for innovation projects'* be made.

Chris Unsworth

Head of Stakeholder Engagement and Hydrogen

Signed on behalf of the Authority and authorised for that purpose