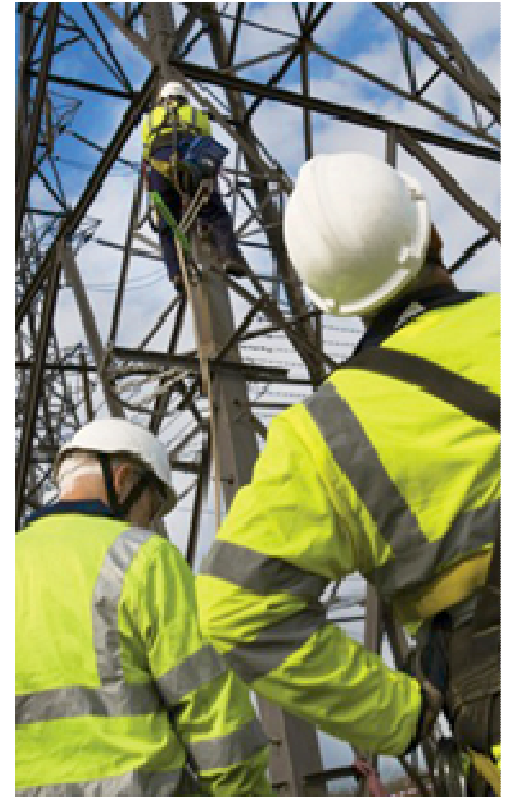


# Gas TCMF – Governance Review

3<sup>rd</sup> December 2009



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## BACKGROUND: Ofgem Codes Governance Review— Illustrative Licence Drafting

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- ◆ In August 2009 this year Ofgem published a consultation document relating to initial proposals for the Governance of Charging Methodologies
- ◆ Ofgem has now prepared illustrative Licence drafting
  - ◆ *Ofgem has stated that the illustrative drafting represents just one potential way of giving effect to the initial proposals, were they to be adopted*
  - ◆ *The drafting covers both transportation and connection charging methodologies*
- ◆ The consultation on the illustrative drafting closes out on 8 December 2009
- ◆ Final proposals are anticipated early in 2010

# Introduction

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- ◆ This presentation covers National Grid's interpretation of the Licence drafting and potential implementation issues

# Option 2 – Key Issues/Changes

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## SSC A5

- ◆ 1. Proposals to modify the charging methodology may be made by the licensee **and by affected parties**,...
- ◆ 2. ... In relation to any charging methodology modification proposal made in accordance with paragraph 1, the licensee shall –
  - ◆ a. **establish arrangements for the handling of modification proposals** which shall ensure:
    - ◆ (i) **the periodic convening of a forum to discuss and develop the modification proposal**; and...
  - ◆ c. it has furnished the Authority with a report setting out –
    - ◆ ...
    - ◆ (iii) **any changes in the terms of the modification intended in consequence of such representations**,
    - ◆ (iv) where the modification has been proposed by an affected party, the licensee's views on the proposed modification (including as to whether it would better achieve the relevant methodology objectives);...
- ◆ 10B. **The licensee shall ensure that procedures are in place that enable its compliance with the requirements of this condition and, in relation to paragraphs 1, 2 and 10A, shall bring forward proposals to create or modify industry documents where necessary** no later than [implementation date].

# Option 3 – Key Issues/Changes

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## SSC A5

- ◆ 2. ... **the licensee shall not make a modification of the charging methodology unless it has complied with the requirements of the network code modification procedures** as defined in Standard Special Condition A11 (Network Code and Uniform Network Code)

## SSC A11

### Network Code

- ◆ 3. ... **the licensee shall ... have prepared a document (the “network code”) setting out...**
  - ◆ c. [from [implementation date]] **the charging methodologies]**
- ◆ 9. The network code modification procedures shall provide for:
  - ◆ ...
  - ◆ dA. [in relation to proposals to modify the charging methodologies, compliance (as applicable) with:
    - ◆ (i) paragraphs 7 and 8 of Standard Condition 4B (Connection Charging Methodology); and
    - ◆ (ii) paragraph[s] 2 [and 3] of Standard Special Condition A4 (Charging - General);]
  - ◆ ...
  - ◆ f. **the periodic convening of a forum to discuss and develop the modification proposal(s)**

# Commonalities between Options 2&3

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- ◆ Proposals can be raised by affected parties
- ◆ Require the periodic convening of a forum to discuss and develop the modification proposal – assume minimum change from prevailing Gas TCMF arrangements
- ◆ Proposals subject to Licence relevant charging objectives

# Differences between Options 2&3

	Option 2	Option 3
Assessment as to whether a proposal is 'fully developed' and hence ready for consultation	Subject to transporter defined "arrangements"	UNC panel decision*
Development of consultation & final proposals documents including processing of representations	Produced by Transporter	UNC Facilitator*
Alternatives	Could be included in transporter arrangements	Catered for by UNC modification rules
The final proposal	Can be changed, subject to representations, including proposals from affected parties	Unchanged from the initial proposal*
Recommendation	Transporter recommendation	UNC Panel recommendation*
Ofgem Decision	veto window retained (but is the veto on the proposal or the recommendation?)	decision required (open ended but appealable)

\* Assumes prevailing UNC modification rules applied to charging proposals

# Implementation Issues – Options 2&3

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## ◆ Option 2

- ◆ Transporters would be required to "establish arrangements for the handling of modification proposals" including
  - ◆ Assessment as to whether a proposal is fully developed
  - ◆ Processing of alternative proposals
  - ◆ Changes in light of consultation responses received
  - ◆ Governance of the arrangements

## ◆ Option 3

- ◆ A UNC proposal would be required to incorporate the charging methodology within code either
  - ◆ Fully codifying the arrangements, or
  - ◆ Incorporating as ancillary documents
- ◆ and potentially change the governance arrangements