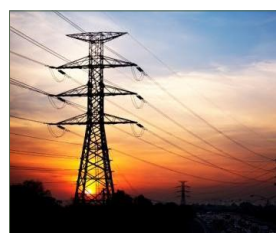


Gas transmission licence modifications to implement Single System Operation

Decision Paper

09 June 2017



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

This paper sets out the final decision on modifications to gas conveyance licences to implement single system operation (SSO) for gas Transmission System Operators (TSOs). These include new obligations in relation to the Single System Operation and the Single Network Code. The changes affect all of the high pressure gas conveyance licences in Northern Ireland.

Audience

This decision is likely to be of interest to the licensees affected, other regulated companies in the energy industry, government and other statutory bodies and consumer groups with an interest in the energy industry.

Consumer Impact

The licence changes are necessary to facilitate arrangements required to implement Single System Operation in respect of the high pressure gas networks. This should deliver a number of benefits to consumers and users. These benefits are expected to take the form of efficiencies, single network code, single IT system and co-ordinated market arrangements.

Licence modifications for SSO

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Acronyms and Definitions

Term	Description
BGTL	Belfast Gas Transmission Limited.
CJV	Contractual Joint Venture.
DPA	Data Protection Act.
FOIA	Freedom of Information Act.
GM	General Manager (of the single system).
GMO	Gas Market Operator.
GNI (UK)	Gas transmission company formerly known as BGE (UK).
GT17	Gas transmission price control – from October 2017 to September 2022.
HP	High Pressure.
IT	Information Technology.
KPIs	Key Performance Indicators.
MEL	Mutual Energy Limited.
NI	Northern Ireland.
NIAUR	Northern Ireland Authority for Utility Regulation – also known as the Utility Regulator (UR).
NIEH	Northern Ireland Energy Holdings.
NWP	North West Pipeline.
PTL	Premier Transmission Limited.
RoI	Republic of Ireland.
SNIP	Scotland Northern Ireland Pipeline.
SNP	South-North Pipeline.
SOA	System Operator Agreement.
SSO	Single System Operation / Operator.
TSO	Transmission System Operator.
UR	Utility Regulator.
WTL	West Transmission Limited.

1.0 Introduction

1.1. Purpose of this Paper

- 1.1.1 This paper sets out the decisions regarding modifications to gas conveyance licences to implement the single system operation (**SSO**) arrangements.
- 1.1.2 Single system operation refers to a co-ordinated approach between Transmission System Operators (TSOs) with respect to the carrying out of gas market related activities.
- 1.1.3 The single system operation will be delivered by means of co-operation between the Licensees through a Contractual Joint Venture (**CJV**). The CJV is not a separate legal entity. However, the arrangements to be put in place will be such that it will have a unique identity, separate office, and a team composed of staff from the TSOs. This arrangement is being referred to as Gas Market Operator (**GMO**).
- 1.1.4 The Utility Regulator (**UR**) published a [consultation](#) on 24th March 2017 setting out the proposed modifications to the gas conveyance licences held by:
 - GNI (UK) Limited (**GNI (UK)**);
 - Premier Transmission Limited (**PTL**);
 - Belfast Gas Transmission Limited (**BGTL**); and
 - West Transmission Limited (**WTL**).¹
- 1.1.5 Each of these licences authorises the holder (the 'Licensee') to convey gas through 'high pressure' (**HP**) gas pipelines. The licence modifications are considered necessary and appropriate to give effect to the regulatory policy for a single system market operator in Northern Ireland.
- 1.1.6 Following consultation some changes have been made to the proposed licence modifications. A marked up version of the licence modifications showing these changes is included in Annex A to this decision paper.
- 1.1.7 Two responses to the consultation were received from GNI (UK) and Mutual Energy Limited (**MEL**). These responses are published on our website www.uregni.gov.uk alongside this decision paper.

¹ The given name on the WTL licence is Northern Ireland Energy Holdings Limited. The licence was awarded to NIEH as part of the Mutual Energy group. The pipeline is operated by WTL as part of the group. WTL is not a certified TSO but is referred to as such in this paper for purposes of simplicity. PTL, BGTL and WTL all form part of the Mutual Energy (MEL) group.

2.0 Single System Operation

2.1. Condition 2.17.1 – Introduction

Licence change proposed in the consultation

- 2.1.1 This provision introduces Condition 2.17 which is a new condition with the purpose of streamlining the interaction and communication required between gas suppliers and HP Conveyance Licensees to implement the Single System Operation. It sets out the purpose of the condition and the high level objectives of the project. Essentially, the overarching aim is to simplify market operations for both gas shippers and TSOs.
- 2.1.2 Success of the project will be determined by a number of relevant objectives. At a high level these include the following:
- The efficient and co-ordinated development and administration of gas transportation services in Northern Ireland;
 - Realisation of cost efficiencies;
 - Implementation of a single network code;
 - Provision of a single point of contact and single IT interface; and
 - Transparent reporting and monitoring of market operations.
- 2.1.3 These objectives are set out in the licence condition. However, it is likely that more extensive Key Performance Indicators (**KPIs**) will be developed to monitor project success.

Responses

MEL response

- 2.1.4 MEL requested an explicit statement that “Single System Operation” does not include control room services and physical pipeline operation.

GNI (UK) response

- 2.1.5 GNI (UK) also requested clarification that “Single System Operation” does not include control room services and physical pipeline operation.
- 2.1.6 GNI (UK) also considered that the objectives of SSO in 2.17.1(a) to (d) in the drafting set out in the consultation² were too narrowly focussed and that the TSO instead should be obliged ‘to ensure the efficient operation of the market.’ However, they then went on to suggest that the objective to identify and implement cost efficiencies and the implementation and maintenance of the single code should be subordinate activities. Submissions made after the

² Now 2.17.1 (b) to (e) in the final text in Annex A

consultation closed went further and suggested that these two objectives should be deleted.

- 2.1.7 In light of these representations GNI (UK) also put forward alternative drafting of 2.17.1 and 2.17.2.

UR response

- 2.1.8 We have considered the reasons put forward by the TSOs as to why clarification on the exclusion of control room services and physical pipeline operation from the scope of the SSO should be included in 2.17.1.

- 2.1.9 As a consequence we have, in addition to the drafting at 2.17.3(d)(i), included a new definition of SSO in 2.17.17 to make clear that the scope of SSO within the licence excludes control room services and physical pipeline operation. This definition refers to condition 2.17.1.

- 2.1.10 In relation to GNI (UK) comments on the objectives of SSO in 2.17.1 (a) to (d)³ we have discussed with GNI (UK) how a new objective should be framed and agree with GNI (UK) that a new objective should be incorporated at 2.17.1 (a) as set out below.

“(a) development and administration of gas transportation services in Northern Ireland in an efficient and coordinated manner”.

- 2.1.11 The UR does not agree with GNI (UK) that the objectives to identify and implement cost efficiencies and to implement and maintain the single code are for the UR and should be deleted from the licence. Both are plainly for the TSOs to fulfil in the implementation of the SSO, and are integral objectives for the success of the new arrangements. We have therefore not made these deletions in the final licence text. As such we will maintain these objectives in the final text.

Reason and effect

- 2.1.12 The purpose if this condition is to provide clarity on the scope of the Single System Operation.

2.2. Condition 2.17.2 and 2.17.3 – Arrangements for Single System Operation

- 2.2.1 This section of the condition details the arrangements which will ensure delivery of the GMO. It will be each Licensee’s responsibility to establish, implement and maintain such arrangements.

Licence change proposed in the consultation

- 2.2.2 The Licensee is required to establish and implement arrangements which are designed to ensure the delivery and implementation of Single System Operation, including by way of:

³ Now 2.17.1 (b) to (e) in the final text in Annex A

- a) Entering into agreement(s) with other HP Licensees which contain(s) the provisions required to deliver the project objectives;
- b) Preparing and implementing a single network code;
- c) Establishing a Governing Committee which will have responsibility for the GMO operations;
- d) Forming a dedicated single TSO team to carry out day-to-day activities, including interactions with suppliers;
- e) Developing and operating a single IT system for market operations;
- f) Providing for matters which may be set out in a direction issued by the UR or otherwise consented to by the UR.

Responses and Decision

MEL Response

- 2.2.3 MEL raised concerns in relation to the UR's ability in 2.17.3 (g) (i) to direct changes to the SSO arrangements without consultation. MEL also raised the issue of their ability to meet the deadline of two months prior the 1st October 2017 to have the SSO agreements in place, due to unforeseen external factors which may delay this process.

GNI (UK) Response

- 2.2.4 GNI (UK) also had concerns in relation to the UR's ability in 2.17.3 (g) (i) to direct changes to the SSO arrangements without consultation. GNI (UK) considered that this provision would allow unilateral direction by the UR without the safeguards of the licence modification process. GNI (UK) also stated that sufficient flexibility is provided by the mechanism in 2.17.3 (g) (ii) which provides for a change in scope with the consent of the TSOs and the approval of the UR.
- 2.2.5 In relation to condition 2.17.3 (a) GNI (UK) highlighted an inconsistency in the dates for submission of a draft SSO agreement, and entering into the SSO agreement. In the original draft these dates were the same.
- 2.2.6 GNI (UK) also raised the point that the governing committee in condition 2.17.3 (c) provides oversight and governance but does not have managerial responsibility, which rests with the GM of the GMO.
- 2.2.7 In discussions subsequent to the consultation, GNI (UK) suggested that the term "*First Operation Date for Single System Operations*" was used in condition 2.17.3 instead of 1st October 2017. This was defined by GNI (UK) as a "*a date, on or after 1st October 2017, notified by the Authority as such, on not less than two months notice.*"
- 2.2.8 GNI (UK) also requested clarification as to whether condition 2.17.3 relates to the steps required to deliver the SSO or to the SSO arrangements, highlighting that 2.17.3 (a) appears to be a step, whilst the other sections appear to be SSO arrangements. They suggested that the word "arrangements" in this provision should be replaced with "steps".

UR Response

- 2.2.9 The UR notes the drafting error and the TSOs' concerns with adhering to the timeline for having the SSO agreements in place. As such we have amended the wording of condition 2.17.3 (a), removing the date of 1st October 2017 and replacing it with "*a date as directed by the Authority*". We consider that this should provide sufficient flexibility should there be any reasonable delays. We do not consider it necessary to use the term "First Operation Date" as suggested by GNI (UK) and have not included this term in the final text of the licence conditions.
- 2.2.10 The UR acknowledges and has considered the points raised by the TSOs in relation to the ability of the UR to direct on the SSO arrangements. We have amended the wording of this provision to require that directions are only made by the UR "*following agreement with the Licensee*". This wording was suggested by MEL in discussions subsequent to their initial consultation response and the UR has sought feedback from GNI (UK) on this suggestion. GNI (UK) thought that this provided more comfort, but that the agreement should be "express".
- 2.2.11 The UR considers that new wording provides an adequate balance between the requirement for the UR to have the ability to make directions, whilst taking on board the concerns of the TSOs. We do not consider it necessary to include the word "express" as the UR would not proceed with any direction without confirmation of agreement of the Licensee.
- 2.2.12 The UR does not agree with GNI (UK)'s proposed change in 2.17.3 (a) however, to clarify this provision we have amended the wording in the final text to say "*the arrangements referred to in paragraph 2.17.2*". In condition 2.17.3 (a) we have also added a reference to condition 2.17.3 for the purposes of clarity.
- 2.2.13 The UR acknowledges GNI (UK)'s point in relation to the Governing Committee and has added additional wording to clarify that the governing committee provides oversight and governance but we cannot agree that the GMO is responsible – ultimate responsibility must rest with the Licensees. We have, however, removed the word "managerial" for clarity.

Reason and effect

- 2.2.14 The key reason for the proposed conditions is to impose requirements on TSOs to establish and implement the arrangements of the SSO. The condition further provides clarity as to the expectations of the UR concerning what the Single System Operation encompasses.
- 2.2.15 The effect of the condition is that fulfilling these arrangements will become a legal requirement.

2.3. Condition 2.17.4 to 2.17.10 – SSO Agreement

- 2.3.1 These conditions relate to the legal agreement(s) which parties to the single system must enter into. The purpose of the agreement(s) is to establish the terms that govern the relationship between the Licensees and facilitate delivery of the SSO objectives. The agreement(s) are to set out the legal

responsibilities the TSOs have towards each other as parties responsible for implementing single system operation arrangements.

- 2.3.2 The TSOs are in the process of formulating and drafting two such agreements at present. These are known as the CJV Agreement and the System Operator Agreement (SOA).

Licence change proposed in the consultation

- 2.3.3 A number of requirements are detailed in these conditions. The TSOs must first agree the proposed agreement(s) and submit it/them to the UR for approval. The agreement(s) must include at a minimum the following details:

- tasks, roles, rights and responsibilities of each party including resource allocation principles;
- roles and responsibilities of the Governing Committee;
- roles and responsibilities of the SSO team;
- procedures for dispute resolution;
- procedures for amending the SSO agreement; and
- how unresolved disputes are determined.

- 2.3.4 The condition further details the UR role with respect to approval of the agreement(s). It also details the process involved in varying them and how modifications can be made.

Responses and Decision

MEL Response

- 2.3.5 MEL expressed concerns as to their ability to meet the deadline set out in condition 2.17.4 to submit the SSO agreements to the UR for approval no later than two months prior the 1st October 2017. The reasoning was that unforeseen external factors may delay this process. They also did not consider it suitable for the UR to be able to direct changes, or to require TSOs to make changes to the SSO Agreement.

GNI (UK) Response

- 2.3.6 GNI (UK) did not agree that the UR should be able to direct changes, or to require TSOs to make changes to the SSO Agreement. They suggested that conditions 2.17.3 (g) (i); 2.17.5 (b) (v) (B) and (C); 2.17.5 (b) (vi) and 2.17.7 should be deleted.
- 2.3.7 GNI (UK) also suggested additional wording for condition 2.17.5 (a) to add “*in respect of the single system operation arrangements*”. This was suggested to clarify that this provision relates to the SSO agreements and not other legal agreements between the Licensees.
- 2.3.8 In respect of condition 2.17.5 (b) (ii) and (iv) GNI (UK) considered these provisions to require that the SSO agreements include an inappropriate level of

detail, resulting in frequent amendments to the agreements which would create legal costs and require UR approval unnecessarily. They suggested that these conditions should refer to the “*procedures to be adopted by the Parties to determine and agree*” these items rather than the detail.

- 2.3.9 In their consultation response, GNI (UK) suggested that in condition 2.17.5 (b) (v) (B) the wording be shortened to “*amending the SSO Agreement*”, as they do not believe that all disputes will result in the need for the SSO Agreement to be amended.
- 2.3.10 In further discussions subsequent to their consultation response in relation to condition 2.17.6, GNI (UK) also requested that if the UR were to reject the SSO agreement, GNI (UK) would request that the UR give clear reasoning as to the reasons for the rejection.
- 2.3.11 In relation to condition 2.17.9 (a) (iii), GNI (UK) stated that this condition currently requires all reasonable steps to be taken to vary the SSO agreement when one party requests a change. They believe that only changes agreed by all parties (or otherwise required by the agreement, e.g. on foot of a dispute or a voting mechanism) should be required to be made. They suggested that the wording should be amended to “*and agreed by all parties or otherwise in accordance with its terms*” or that this part could be deleted as the agreement will provide for this in any case.
- 2.3.12 In relation to condition 2.17.9 (d)⁴ GNI (UK) suggested that the words “after that review” should be added.
- 2.3.13 GNI (UK) also suggested additional wording for condition 2.17.9 (e)⁵ in that the Licensee shall “*Agree to vary the SSO agreement in accordance with its terms*” as may be required in light of any outcome of the review.

UR Response

- 2.3.14 The UR acknowledges the concerns of the TSOs in relation to submitting the SSO agreements to the UR for approval no later than two months prior the 1st October 2017. We have amended condition 2.17.4 to include the wording to state:-

“by no later than 6 weeks prior to the 1st October 2017 or by such later date as may be directed by the Authority”.

This should provide sufficient flexibility should unforeseen and reasonable factors affect the timeline for submission of the SSO agreements, whilst allowing the UR sufficient time to review the agreements prior to approval.

- 2.3.15 The UR also acknowledges the concerns of the TSOs in relation to the ability of the UR to make directions. We do not agree with GNI (UK)’s suggestion that conditions 2.17.3 (g) (i); 2.17.5 (b) (v) (B) and (C); 2.17.5 (b) (vi) and 2.17.7 should be deleted. The UR considers it necessary to include obligations in the licence which ensure that procedures will be in place to amend the agreement as necessary following a dispute. Also, to provide for the resolution of disputes

⁴ This was 2.17.9 (c) in the drafting set out in the Consultation paper

⁵ This was 2.17.9 (d) in the drafting set out in the Consultation paper

- by a third party if necessary. These obligations collectively are necessary to ensure that disputes can be resolved.
- 2.3.16 We have engaged with both TSOs on this point and following this have amended the wording of condition 2.17.5 (b) to require that directions can only be issued *“following agreement with the Licensee”*. This wording was suggested by MEL in discussions subsequent to their initial consultation response and the UR has sought feedback from GNI (UK) on this suggestion. GNI (UK) thought that this provided more comfort, but that the agreement should be *“express”*.
- 2.3.17 The UR considers that new wording provides an adequate balance between the requirement for the UR to have the ability to make directions, whilst taking on board the concerns of the TSOs. We do not consider it necessary to include the word *“express”* as the UR would not proceed with any direction without confirmation of agreement of the Licensee.
- 2.3.18 The UR does not deem it appropriate that condition 2.17.5 relates only to the *“procedures to be adopted by the Parties to determine and agree”* terms. Condition 2.17.5 provides that the SSO agreement sets out all of the terms that govern the relationship between the Licensees when acting in conjunction and co-operation to establish, implement and comply with the SSO arrangements. It is for the licensees to propose those terms to the UR for approval and the UR will review these proposed terms against the SSO requirements in the licence. Adopting procedures with a view to agreeing something in the future would not be sufficient to ensure the SSO would actually be delivered. Consequently, the changes suggested by GNI (UK) are inconsistent with what this section of the Licence intends. As such we have not changed this drafting from that set out in the consultation paper.
- 2.3.19 The UR has considered the point made by GNI (UK) in relation to condition 2.17.5 (b) (v) and acknowledges that not all disputes will result in the need for the SSO Agreement to be amended. However, as changes to the SSO Agreement may be required as a result of some disputes, we have retained this wording but added the additional wording *“including if required”*. The UR considers that this additional wording provides sufficient clarity whilst addressing the point made by GNI (UK).
- 2.3.20 In condition 2.17.6, the UR has added the additional wording of *“Business Days”*, which would allow the UR 25 business days rather than 25 calendar days to review and approve the SSO Agreement. The UR considered that in some circumstances 25 calendar days may be an insufficient time frame to approve an agreement. However, the UR will endeavour to approve the agreement(s) submitted in an efficient and timely manner.
- 2.3.21 The UR acknowledges GNI (UK)’s point that the UR should specify the reasons as to why a draft SSO agreement does not meet the requirements of condition 2.17. We have amended the final text of condition 2.17.6 in Annex A to state the notice shall *“specify the reasons for such opinion”*.
- 2.3.22 The UR notes the comments made by GNI (UK) in relation to condition 2.17.9 but considers it important that the Licensees take all reasonable steps to reach agreement when variations are proposed by the different Parties to the GMO. We do not consider it appropriate to place an obligation that changes must be

agreed by all parties. Accordingly, we have deleted the previous 2.17.9(a)(iii) and inserted a new 2.17.9(b) as follows:

(b) *“take all reasonable steps to reach agreement on variations proposed by the different Parties to the SSO”.*

- 2.3.23 In relation to GNI (UK)’s suggestion for additional wording for condition 2.17.9 (e)⁶ that the Licensee shall *“Agree to vary the SSO agreement in accordance with its terms”*, the UR has considered this suggestion and does not agree it is necessary to change the wording of this section. The addition of this wording could preclude the modification terms themselves being changed as a consequence of any review.
- 2.3.24 We have added the wording *“after that review” in 2.17.9 (d)* as suggested by GNI (UK).

Reason and effect

- 2.3.25 The effect of condition 2.17.5 is to set out that the SSO agreement shall clarify the roles and responsibilities of the Licensees with respect to the Single System Arrangements and matters relating to their governance and management. The SSO agreement is also to set out how disputes will be resolved. The TSOs are free to add further detail as they consider appropriate. A key element of conditions 2.17.4 to 2.17.10 also relates to variation of the contract(s). This gives the TSOs powers to request amendments to, or to amend the agreement(s) to reflect changes of approach where certain features of the arrangements may not be working as intended and/or can be achieved more efficiently via an alternative approach. The UR may also direct changes to the SSO agreement following agreement with the licence holders, and in any case the SSO agreement and any changes to it must be approved by the Authority.

2.4. Condition 2.17.11 – SSO Team

Licence change proposed in the consultation

- 2.4.1 The condition requires the single team to be established by the 1st October 2017. This is the anticipated go-live date for the project.

Responses and Decision

GNI (UK) Response

- 2.4.2 GNI (UK) suggested that the term *“First Operation Date for Single System Operations”* was used here instead of 1st October 2017.

MEL Response

- 2.4.3 MEL did not have any comments on this provision.

⁶ This was 2.17.9 (d) in the drafting set out in the Consultation paper

UR Response

- 2.4.4 We do not consider it necessary to use the definition suggested by GNI (UK). In condition 2.17.11 we have amended the wording of the date to establish the SSO team to state “*by no later than 1 October or at such later date as may be directed by the Authority.*”

Reason and effect

- 2.4.5 Establishment of the single team will ensure that there are staff and structures in place to carry out the day-to-day activities of the SSO.

2.5. Condition 2.17.12 – SSO IT System

- 2.5.1 At present both MEL and GNI (UK) have separate IT systems. Both need to be operated and maintained, at a cost to the Northern Irish consumer. The development of a single IT system would facilitate the delivery of efficiencies and simplify processes for shippers.

Licence change proposed in the Consultation

- 2.5.2 The licence change requires that:
- The IT system is operational by the 1st October 2017; and
 - Is capable of delivering all requirements as detailed in the network code.

Responses and decisionGNI (UK) Response

- 2.5.3 GNI (UK) highlighted the complexity of the project with a number of dependencies on external TSOs. They raised the concern that, in light of the lead times to modify its licence, in the event of any slippage in the go-live date, the inclusion of fixed dates in the licence drafting creates a risk of non-compliance.

MEL Response

- 2.5.4 MEL stated that the delivery of the IT system is subject to a thorough and successful testing period. They further stated that meeting licence obligations is of the upmost importance to MEL and they would therefore be concerned if the date was missed. MEL therefore suggested that in the drafting the “*1st October 2017*” is replaced by “*a date directed by the Authority*” for condition 2.17.12(a).

UR Response

- 2.5.5 The UR acknowledges the point raised by GNI (UK) and MEL and as such has amended the wording of this section to state “...by no later than 1 October 2017 or at such later date as may be directed by the Authority”. This should allow

sufficient flexibility for unforeseen, reasonable circumstances which may affect the TSOs ability to meet the date of 1st October 2017.

Reason and effect

- 2.5.6 The condition ensures that only one IT system is developed and maintained for market operations. This is expected to deliver efficiency throughout GT17 and beyond.

2.6. Condition 2.17.13 – Single Network Code

- 2.6.1 The network code contains to the transportation rules associated with using the NI gas transmission system. At present there are four codes, one for each TSO. While similar in nature, differences exist between the rules. Shippers must accede to multiple codes if they wish to use the network.

Licence change proposed in the consultation

- 2.6.2 This condition requires the Licensee to meet the requirements as defined in Condition 2.4D of the licence (discussed in Chapter 3).

Responses and decision

- 2.6.3 The consultation responses did not include any objections or comments in relation to this provision. The wording remains the same as that set out in the consultation paper.

Reason and effect

- 2.6.4 A harmonised network code will simplify code rules for suppliers and the process by which the code is maintained.

2.7. Condition 2.17.14 and 2.17.15 – Reports

- 2.7.1 A key objective of the single system operation is the transparent monitoring and reporting of activities undertaken. In order to ensure that the Licensee are implementing and complying with the SSO arrangements, it is considered necessary that the SSO team produce an annual report detailing their performance.

Licence change proposed in the consultation

- 2.7.2 This condition requires that the SSO team produce a report providing details of their performance against licence obligations. The details of the report will be determined by the UR in consultation with the SSO team. KPIs are likely to be developed and monitored as part of this report.

Responses and decision

- 2.7.3 The consultation responses did not include any objections to this provision. GNI (UK) suggested that the term “single system operation arrangement” be

capitalised which we have amended in the final drafting in Annex A to this document.

Reason and effect

- 2.7.4 The condition will provide transparency around performance against licence obligations, e.g. the operation of the GMO and the work of the Governing Committee. The report will be a useful tool in holding TSOs to account, whilst highlighting performance successes.

2.8. Condition 2.17.16 and 2.17.17 – Interpretation and Definitions

Licence change proposed in the consultation

- 2.8.1 The final sections of the condition provide definitions and an interpretation of terms. In particular, the condition sets out what it means for a TSO to *act in conjunction*.
- 2.8.2 It is the intention of the UR that the TSOs work as one team in the GMO to deliver their joint SSO obligations. To that extent the licence conditions incorporate the concept of ‘acting in conjunction’ to describe the relationship between the parties in the CJV and to ensure that each party provides the assistance necessary to the other parties in the CJV.
- 2.8.3 This concept requires each Licensee to:
- 1) Use all reasonable endeavours to work with the other parties in the CJV to fulfil the relevant obligations in condition 2.17;
 - 2) Provide such assistance to others as may be reasonably required to help fulfil the obligations in condition 2.17;
 - 3) When an obligation cannot be fulfilled without the assistance of the other parties in the CJV, the Licensee must:-
 - a) Ensure that the SSO Agreement requires this assistance to be provided, or seek to amend the contract so that it does.
 - b) Exercise all rights to ensure that other parties to the GMO fulfil their obligations.

Responses and decision

MEL response

- 2.8.4 MEL asked for clarification that there is no change in the liabilities arrangements as a consequence of the new condition and that a Licensee will not be in breach of its licence should a circumstance arise (albeit unlikely) where the assistance of another Licensee to meet joint obligation is not forthcoming.

GNI (UK) response

- 2.8.5 GNI (UK) considered that the drafting could infer that SSO could be achieved without all the TSOs participating.
- 2.8.6 GNI (UK) suggested that in condition 2.17.16 (a) “all reasonable endeavours” should be changed to “reasonable endeavours”.
- 2.8.7 In relation to condition 2.17.16 (c) (i), GNI (UK) stated that where the costs of making an amendment to the SSO agreement, or of complying with the amended arrangements are not recoverable, it would not be reasonable to require GNI (UK) to do this.
- 2.8.8 GNI (UK) commented that the terms “HP System” and “Network” were used interchangeably in the licence modifications.
- 2.8.9 GNI (UK) also highlighted concerns about a potential circumstance where the assistance of another Licensee to secure an amendment of the SSO agreement is not forthcoming.

UR response

- 2.8.10 In circumstances where a Licensee cannot fulfil its obligation without assistance from others but that assistance is not forthcoming, the onus is on the Licensee to seek to amend the SSO agreement where it is necessary to do so and to exercise all rights available to it under the agreement to ensure the assistance needed is provided. In principle the UR would not consider a Licensee to be in breach of its licence where it has taken all reasonable endeavours to comply with all of the provisions set out in condition 2.17.16 and the breach is solely due to a failure on the part of another Licensee to comply – all issues will be considered on a case by case basis.
- 2.8.11 In relation to the comment from GNI (UK) on costs, the UR acknowledges that if a Licensee requires the co-operation of other Licensees which is not forthcoming, that there may be associated costs. However, we consider that any such cost would not be efficiently incurred by the Single System Operator and therefore the burden of these costs should not be placed on the consumer.
- 2.8.12 The UR notes the comment from GNI (UK) to remove the word “all” from condition 2.17.16 (a) but does not consider it appropriate to change this wording. We consider that the wording of condition 2.17.16 is sufficiently clear and have retained the same wording as was set out in the consultation paper.
- 2.8.13 The UR has added a definition of “HP System” into condition 2.17.17. We have also corrected the use of the terms “HP System” and “Network” where appropriate in the licence modifications which can be seen in the final drafting in Annex A to this document.

Reason and effect

- 2.8.14 The reason for the inclusion of the acting in conjunction term is to require TSOs to work together to fulfil SSO licence obligations, including by ensuring that each party provides the assistance necessary to the other parties in the CJV.

3.0 Single Network Code

3.1. Introduction

- 3.1.1 This is a new condition which requires TSOs to have a code in place with the inclusion of certain details i.e. balancing procedures, safety criteria etc. In the licenses it will be referred to as Condition 2.4D⁷. The licence condition further provides for:
- rules around modification of the network code;
 - approval role of the UR;
 - requirements to publish;
 - reasons for refusal of access to the network; and
 - prohibitions on undue discrimination.
- 3.1.2 Each TSO maintains their own code and separate rules of gas transport on their physical network. The new condition is designed to harmonise these rules into a single network code.

3.2. Condition 2.4D – Single Network Code

- 3.2.1 Harmonisation of the transport rules into a single network code is considered to be a key benefit of the single system. A single code will be less onerous to manage, reduce regulatory burden and rationalise the rules for shippers where they have to accede to a number of codes.

Licence change proposed in the consultation

- 3.2.2 The new condition contains many of the provisions already specified in 2.4 of the current licences. However, certain differences exist. These include the following:
- a) The requirement to implement a single network code by 1st October 2017 (Condition 2.4D.1);
 - b) An obligation on each Licensee to act in conjunction and co-operation to administer the code with all other TSOs. This is necessary as they will jointly maintain the single code rules;
 - c) Other minor drafting amendments.

⁷ Where condition 2.4.C is still available for use in a licence we will mark it as “not used”, to avoid a numbering anomaly.

Responses and decision

- 3.2.3 We did not receive any objections to these provisions from the TSOs. Some minor drafting suggestions were received from (GNI) (UK).
- 3.2.4 In the consultation, we referred to this condition as Condition 2.4. In the final text included in Annex A this condition is now 2.4D as conditions 2.4A, B and C are already in use in the existing HP gas conveyance licences⁸.
- 3.2.5 In the transitional stage of the implementation of the SSO arrangements, the existing provisions in condition 2.4 of the licences will run in parallel with condition 2.4D. A licence modification will be required in due course to delete the provisions of condition 2.4 once they have become obsolete.
- 3.2.6 Taking on board the concerns expressed earlier by MEL and GNI (UK) in relation to the go-live date of 1st October 2017 implementation of the SSO arrangements, we have added additional wording into condition 2.4D.1 to state “...by 1st October 2017 or at such later date as may be directed by the Authority”.
- 3.2.7 In condition 2.4D.3 the term “Network” has been replaced by “HP System” which we have defined in condition 2.17.17. This provision applies to the HP system encompassing all the networks of the Licensees as opposed to one individual network.
- 3.2.8 In condition 2.4D.7, 2.4D.8 and 2.4D.9 we have added the wording “*Subject to Standard Condition 2A*” which had been omitted from the original drafting. In condition 2.4D.7 (a) we have also added the wording “by no later than 6 weeks prior to 1st October 2017”, as without a date this is an abstract provision.
- 3.2.9 In conditions 2.4D.9 (b) (iii) and 2.4D.11 we have changed the term “Network Code” to “*Single Network Code*” for clarity.
- 3.2.10 The final text of Condition 2.4D can be found in Annex A to this document.

Reason and effect

- 3.2.11 The principal reason for the change is to establish common rules. Having one network code which users must accede to will simplify operations for shippers. It will help reduce the regulatory burden on TSOs and ease management of the transportation rules.

⁸ Where condition 2.4.C is still available in a licence we will mark it as “not used”, to avoid a numbering anomaly.

4.0 Conclusion

4.1. Next Steps

- 4.1.1 This paper represents the UR's final decision on licence changes to facilitate the implementation of the Single System Operation. The revisions will take effect 56 days⁹ from the date of this publication.
- 4.1.2 The modifications will become effective on the 5 August 2017.

⁹ This figure is dependent upon no challenges to the modifications being made.

Table of Annexes

Annex A	<u>SSO Licence Modifications</u>
Annex B	<u>Statutory Notice</u>