

UNC Modification		At what stage is this document in the process?
<h1>UNC 0XXX:</h1> <h2>Updating the Offtake Arrangements Document (OAD) with recommendations resulting from UNC Request Workgroup 0646R – Phase 1</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em;">01</span> Modification         </div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em;">02</span> Workgroup Report         </div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em;">03</span> Draft Modification Report         </div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b></p> <p>This Modification seeks to update the OAD in order to bring it in line with industry changes made since 2005. The 0646R Workgroup has since identified a number of areas in OAD that can be updated now (Phase 1), with this being the first in a number of Modifications.</p>		
	<p>The Proposer recommends that this modification should:</p> <ul style="list-style-type: none"> <li>Proceed to consultation</li> </ul> <p>This modification will be presented by the Proposer to the Panel on 21st February 2019. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
	<p>High Impact: NG UKT and all GDN’s.</p>	
	<p>Medium Impact: None</p>	
	<p>Low Impact: None</p>	

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Timetable			<a href="mailto:shiv.singh1@cadentgas.com">shiv.singh1@cadentgas.com</a>
<b>The Proposer recommends the following timetable:</b>			 07580 999 287
Modification presented to Panel	21 February 2019		Systems Provider: Xoserve
Workgroup Report presented to Panel	21 February 2019		
Draft Modification Report issued for consultation	22 February 2019		<a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>
Consultation Close-out for representations	14 March 2019		Other: Darren Dunkley
Final Modification Report available for Panel	21 March 2019		
Modification Panel decision	21 March 2019		<a href="mailto:Darren.dunkley@cadentgas.com">Darren.dunkley@cadentgas.com</a>
			 07768 102 196

## 1 Summary

### What

Since the implementation of the OAD in 2005, a number of issues have been identified that need to be addressed. A series of amendments were identified during the development of Request 0646R, a number of which it has been identified can be addressed at an early stage. This Modification Proposal is described as Phase 1 and addresses:

- Tripartite arrangements;
- Shared Sites (including the definitions: for bi-directional/reverse flow; and Closed Sites NTS/LDZ);
- Asset Removal process;
- Supplemental Agreement Template;
- Critical National Infrastructure (CNI); and
- Material impact on 'Affected Party'

### Why

In its current form, sections of OAD are unclear and ambiguous. As a result, it is open to interpretation which has at times resulted in an inefficient use of both time and resource of the parties concerned. The proposed changes would enable all parties to interpret a Code that is clear, concise, practical and consistent.

- Tripartite Arrangements: OAD currently makes an assumption that there is only one Site Owner and one Site User, but there are cases where two Site Users may be present at the same offtake. The Supplemental Agreement is agreed between the upstream and downstream parties and for tri-partite sites two agreements will be in place. One of these agreements will be between the two site users and therefore the site owner may be unaware of site services or updates being confirmed or been made available at the offtake in their name;
- Shared Sites: the current definition of an Offtake needs to be updated to allow for: Closed NTS to LDZ offtakes with the potential to flow gas; Bi-directional flows between NTS to LDZ offtakes; and Shared sites with no physical connection via Individual Offtake Points. As it stands, Offtakes exist that meet these criteria, but are not covered by OAD;
- Asset Removal Process: there are no clauses in OAD that allow the Site Owner to request the removal of redundant assets. In this particular case, OAD leaves the Site Owner at a disadvantage. A new process has been agreed that would allow any Operator to request another Operator to remove an asset under defined situations;
- Supplemental Agreement Template: the Supplemental Agreement does not specify all of the Connections Facilities in Appendices C, D and E of the current Supplemental Agreement (SA). The template has been redesigned to ensure that the typical types of asset found at offtake sites can be documented and confirmation provided on ownership so that this can more robustly demonstrate compliance with the arrangements currently outlined in OAD;
- CNI is a new area not currently covered by OAD. As it stands, it is the Site Owner that is responsible for Site Security. There is though, the potential for the scenario where it is the Site User who will

responsible for security arrangements, such as installing a Site Security Fence and providing the operation and maintenance thereafter. OAD requires updating to allow for such eventualities;

- The material impact on an Affected Party is not currently defined in OAD. This can lead to a difference in the interpretation of what defines 'material impact', and has resulted in an adverse impact upon operational matters due to the lack of communication between Parties.

## How

The relevant sections of OAD are proposed to be amended, with where required, new additions included, so that the resultant legal text satisfies the objectives of the Proposal.

The sections of OAD to be modified include:

- Section A – Scope and Classification
- Section B – Connection Facilities, and
- Appendix Supplemental Agreements

## 2 Governance

### Justification for Self-Governance

This Modification should be subject to Self-governance procedures on the basis that the necessary changes would have no material impact on the commercial activities of Shipper Users, Gas Transporters or Gas Consumers. This is because the proposed changes are to either bring the Code in line with industry changes since 2005, or to address process gaps that have come about as a result of new industry practice.

### Requested Next Steps

This Modification should:

- Proceed to consultation

## 3 Why Change?

### Background

Since the implementation of the OAD in 2005, a number of issues have been identified which need to be addressed. It has been identified that specific sections of OAD are unclear and ambiguous and require clarity to ensure all parties are able to interpret them in a consistent manner. By not addressing these issues, parties may continue to apply different interpretations, on occasions resulting in an inefficient use of time and resource. The 0646R Workgroup has agreed that a number of changes to OAD should be made as part of Phase 1. These cover:

- Tripartite arrangements;
- Shared Sites (including the definitions: for bi-directional/reverse flow; and Closed Sites NTS/LDZ);
- Asset Removal process;

- Supplemental Agreement Template;
- Critical National Infrastructure (Integrated Security System (ISS)/Physical Security Upgrade Programme (PSUP)); and
- Material impact on 'Affected Party'.

Further Phase 2 Modifications are anticipated in a separate Modification in 2019 to cover:

- Maintenance (and clarity on impact assessments/threshold for OAD notices "significant impact" Section G);
- Further requirements for Critical National Infrastructure (Integrated Security System (ISS)/Physical Security Upgrade Programme (PSUP));
- Site Drawings;
- OAD Notices;
- Point of Offtake.

The 0646R Workgroup also recognised that additional areas for related Offtake Arrangements work in 2019 is expected to include:

- Section D; and
- Safe Control of Operations (SCO) interface documents.

It is still to be determined whether these items will be addressed by the existing 0646R Workgroup or by the Offtake Arrangements Workgroup, and whether they will be addressed in Phase 2, or at a later stage.

## The Detail

### Tripartite Arrangements

#### Section A2.1.2 & A2.3.1

Cadent has two tri-party sites where there is one Site Owner and two Site Users located at an offtake. OAD is currently written in a way that assumes there is only one Site Owner and one Site User, and that gas flows from the NTS into one LDZ. In reality, this is not the case and the definitions need to be updated to cover both approaches.

The current Offtake definition i.e. "one or more Individual Offtakes Points, located at each site, at each of which gas can flow into the same LDZ." does not cater for tri-party sites.

#### Section B2.6.1

Site Services need to be revised to take into account tri-party sites. Normally, there are two Supplemental Agreements in place between the upstream and downstream Operators. However, as the Gas Distribution Networks (GDN) are normally the Site Owners, one SA will be between the Site Owner and Site User, and the other SA will be between the Site User and Site User. Where a SA is between two Site Users, the Site Services are not confirmed by the Site Owner as they are not a party to the agreement. Therefore the two Site Users are unable to agree these services without the Site Owner.

The "Services Party" can be a third operator who is the Site Owner but not a party to the Supplemental Agreement because this is between the upstream and downstream party only - as in the case at Ross-on-Wye and Winkfield (i.e. tri-partite sites).

#### New Addition

There have been occasions for tri-party sites where one SA has been updated between the Site Owner and Site User, but the changes have not been mirrored across to the other SA in place between the Site User and Site User. This is critical for issues where for example there are data items that are common between the two SA's in place, such as Access, Security, Cathodic Protection, Utilities Supply and Drawings i.e. General Arrangement (GA) and Hazardous Area Zone (HAZ) Drawings resulting in a mismatch of data between the two SA's.

## Shared Sites

### Section A2.1.4

Cadent has a specific site where the systems are connected by closed valves and if opened gas could flow. There are two Networks, physically connected by closed valves. This scenario currently exists between LDZ to LDZ, but not NTS to LDZ. This type of site is not covered by a Supplemental Agreement.

- In addition to the current definition of an Offtake, OAD should be updated to allow for the following type of site: NTS and LDZ Shared Sites;
- Closed Sites; and
- Bi-directional Shared Sites

### New Addition

Offtake sites are governed by OAD but, due to the current offtake definition in Clause A2.1.4, it only covers where gas flows from the NTS into an LDZ. Cadent have a number of offtake sites where a connection back onto the NTS is required to facilitate pipeline inspections that only occur once every 10-15 years.

## Asset Removal Process

This new process is being introduced as an Operator has experienced a situation where a non-operational asset belonging to another Operator, has been left on site taking up space that could otherwise be used for something else.

The intent of this process is to allow any Operator to request another Operator to remove an asset under defined situations.

### Section B3.1.1

Clause states that "right to the Site User to retain such Connection Facilities on the Site Owner land." as per the date of the SA or following relocation. The issue here is that this right allows the Site User to leave assets in place even though they are not operational and there are no clauses in OAD that allow the Site Owner to request the removal of redundant assets so it frees up space for any other use.

### Section B3.6

This clause focuses on the Removal of Site User Facilities from only a Site User perspective. OAD provides no coverage for Site Owners to request the removal of Site Users assets, especially redundant assets given the right to retain stated in B3.1.1.

It should be noted that some Operators have Lease Agreements in place and where this is the case, the lease takes precedence over OAD. However, Lease Agreements generally specify whole site redundancy, such as 'end of life' and not specific assets.

The 'Proposal for the Removal of Assets v0.4' is included alongside this Modification.

## Supplemental Agreement Template

### Section B2.1.2

The existing version of the SA does not specify all the Connection Facilities in Appendices C and D of the current SA. These are also contained within Appendix E.

### New Addition

The SA's should have version control so that you are able to see what changes were implemented when, and arising from what work.

The 'SA Appendix Template v1.0 – Blank' is included alongside this Modification.

### Appendix

Current Supplemental Agreements do not document all of the Connection Facilities on site, as per Section B of OAD. Specifically, whilst the mechanical drawing is included with the SA, there is no mention of the electrical or instrumentation assets on site which often can be shared and therefore lead to confusion as to who owns them and thus, maintains them. This is to be addressed by the new SA Template.

Appendix SA to be revised to the new OAD Pack.

## Critical National Infrastructure

CNI was introduced to the industry after the OAD was written in 2005. This area deals predominantly with security arrangements, which is covered in OAD Section B3.8.1. This states that it is the Site Owner who is responsible for Site Security. This will not always be the case, as we are aware of scenarios where it will be the Site User who will be installing security arrangements such as a site fence.

## Material Impact on 'Affected Party'

As this is not defined in OAD, it can lead to a difference in the interpretation of the term 'material impact'. This has had an adverse impact on operational matters (such as Routine and Non-Routine Operations) due to a lack of communication between Parties.

It should be noted that any change that a Site User wants to undertake on site must always have Site Owner support via the OAD, and the criteria set out in the solution are more for the Site Owner to consider when determining the need to notify the Site User. This material impact upon another operator needs to be outlined in the respective OAD notices when they are raised, to assist the other operator in its review and returning its formal consent to the proposed work.

## 4 Code Specific Matters

### Reference Documents

Offtake Arrangements Document (found here: <https://www.gasgovernance.co.uk/OAD>)

## Knowledge/Skills

An understanding of physical assets, access arrangements, etc would be advantageous.

# 5 Solution

## Tripartite Arrangements

### Section A2.1.2 & A2.3.1

To be amended to cater for tri-party sites. This requires the inclusion of new categories being:

- One Site Owner - Existing
- One or more Site Users - Amended from one to many
- Gas flows from NTS into one or more LDZs - Amended from one to many

### Section B2.6.1

- “Services Party” to be named in the Supplemental Agreement - New
- “Services Party” to be recognised as the Site Owner who has a presence on site - New

### Section B2.6.2

To include a new sub-clause:

- Site Owner is neither the upstream nor downstream party named in the Supplemental Agreement

## Shared Sites

### NTS and LDZ Shared Sites

- NTS/LDZ Offtake definition – Definition to be retained
- Closed offtakes – Modify to include NTS/LDZ Closed Offtakes
- Non-offtake NTS/LDZ shared site – New

All of the above categories to be bi-directional: can flow gas from the NTS to the LDZ and can flow gas from the LDZ to the NTS (subject to appropriate caveats).

### Modify Closed offtakes to include NTS/LDZ Closed Offtake

- Supplemental Agreement required
- NTS and LDZ connection facilities on a site
- Physical connection to flow gas but valve is closed
- In exceptional circumstances flow gas from NTS/LDZ e.g. Inline Inspection (ILI) run
  - Subject to agreement by all Parties
  - Subject to liabilities being appropriate
- On-going maintenance required
- Measurement equipment may be on site – Calculation for unmetered gas where metering is not present or where the associated gas will not be recorded via the recognised fiscal meter on site.

### Add non-offtake NTS/LDZ shared site

- Must have a Supplemental Agreement in place
- NTS and LDZ assets/facilities on a site
- No physical connection to flow gas
- In exceptional circumstances (temporary connection) flow gas from NTS/LDZ e.g. ILI run
  - Subject to agreement by all Parties
  - Subject to liabilities being appropriate
  - No measurement equipment on site – calculation for unmetered gas

### Bi-Directional flows

- Bi-directional flow applies to:
  - NTS/LDZ offtakes,
  - NTS/LDZ closed offtakes,
  - ~~○ Non-offtake NTS/LDZ Offtake [NG1]~~
- ~~• Can flow gas from the NTS into an LDZ~~
  - ~~○ In exceptional circumstances for closed sites and non-offtakes~~
- In exceptional circumstances, can flow gas from the LDZ to NTS e.g. ILI runs
  - Subject to agreement by all Parties
  - Subject to liabilities being appropriate
  - Any unmetered gas accounted for where metering is not present or where the associated gas will not be recorded via the recognised fiscal meter on site.

### Appropriate Liabilities

Agreement to reverse flow and/or opening of closed sites will be subject to liabilities being appropriate:

- Third Party claims
- NTS direct connections – NG customers
- DN Offtake claims
- DN Gas Quality claims
- GSMR compliance not being demonstrated on entry

The document 'OAD Reference – closed offtakes (006).pdf' is included alongside this Modification.

## Asset Removal Process

### Section B3.1.1 and B3.6

#### Request for Removal of Assets

To be amended to enable an operator to request the removal of an asset under the following criteria:

- An asset is causing a credible risk to the health and well-being of all staff on site – New
- An asset is causing a credible risk to the safe operation of transporting gas at a site – New
- An asset has a credible impact upon the gas operations of another network operator – New
- The site owner requires the re-use of land or property where space is of a premium and assets that are currently in place have been seen to be non-operational for 12 months or more – New
- Any other credible and tangible risk that develops, as clearly defined and articulated by the site owner – New
  
- Request must be in writing – New
- Receiving party to consider impact of request and not unwillingly delay a response – New
- Receiver to engage with requesting operator to seek a way forward that is equitable for both parties - New

### **Cost Allocation**

- Cost at expense of asset owner where request is based upon the following reasons:
  - Health - New
  - Safety - New
  - Operational - New
  
- For all other requests:
  - Cost to be identified and agreed in advance - New
  - Shared equally between parties, or
  - Where necessary, based upon a cost benefit analysis - New
  
- An operator may allow another operator to remove the agreed assets on their behalf subject to the application of the required engineering governance - New
- Cost, or shared cost, to be recovered via the provisions under Section L - New

### **Disputes**

- Where the escalation of a dispute remains unresolved parties to seek settlement via the existing dispute process contained within UNC

## **Supplemental Agreement Template**

### **Section B2.1.2**

The Section of OAD entitled '01 January 2006 OAD Appendices' is to be removed and set up as a subsidiary document as follows:

1. Recitals (see Supplemental Agreement Template); and
2. Appendices (see SA Appendix Template v1.0 – Blank)

There are many references in OAD to the Supplemental Agreements and the OAD needs to be reviewed and updated accordingly, taking into account this important document is now a subsidiary one.

Example Supplemental Agreement templates have been included alongside this Modification.

## **Annex B2**

Existing text to be modified as follows:

### **Part 1 – Mandatory Site Services**

Site Service

- a) Cathodic protection, including:
  - i. Maintaining and testing such cathodic protection systems (and planning for such maintenance in accordance with the provisions for Relevant Maintenance in Section G); and
  - ii. Providing each Site User a report certifying compliance of the cathodic protection systems no later than 14 days after any maintenance or testing in accordance with sub-paragraph (i);
- b) Electrical Services;
- c) Standby Power;
- d) Site security; and
- e) Retention of Site records, including maintenance reports for Site Services.

Further details relating to the Site Services listed in this Part 1 shall be recorded in the relevant Supplemental Agreement.

### **Part 2 – Other Site Services**

- a) Water Services;
- b) Telecommunication Services;
- c) Site Drainage;
- d) Welfare Facilities

## **Critical National Infrastructure**

### **Section B3.8.1**

- Default position is that Site Owner is responsible for Site Security
- Can be assigned to Site User providing agreed between Parties
- Documented in Supplemental Agreements(s) and Site Schedule of Responsibilities

## **Material Impact on 'Affected Party'**

### **Section B2.2.3**

- Update definition to include the following criteria:
  - Any impact to the gas flow from the NTS to the LDZ
  - Any impact to the electrical power arrangements i.e. outage or disruption to the site supply or any specific boards; or where standby power arrangements need to be deployed
  - Any impact to the telemetry system i.e. outage or disruption concerning RTU (insert meaning), communication equipment or impact to control and signalling requirements
  - Any site restrictions that will prevent the other party accessing the site in full or part i.e. for safety reasons or Construction Design Management (CDM) regulations
- National Grid to subsequently update Guidance document

## 6 Impacts & Other Considerations

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

There is no impact on any Significant Code Review.

#### Consumer Impacts

There is no impact on consumers on the basis that the Modification is solely associated with Transporter to Transporter issues.

#### Cross Code Impacts

No other industry codes are affected.

#### EU Code Impacts

There is no impact on any EU Code.

#### Central Systems Impacts

There is no impact on any central systems.

## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> <li>(i) the combined pipe-line system, and/ or</li> <li>(ii) the pipe-line system of one or more other relevant gas transporters.</li> </ul>	Positive
c) Efficient discharge of the licensee's obligations.	None

<p>d) Securing of effective competition:</p> <p>(i) between relevant shippers;</p> <p>(ii) between relevant suppliers; and/or</p> <p>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.</p>	None
<p>e) 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.</p>	None
<p>f) Promotion of efficiency in the implementation and administration of the Code.</p>	Positive
<p>g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.</p>	None

### Tripartite Arrangements

This section of the Modification facilitates GT Licence objective *f) Promotion of efficiency in the implementation and administration of the Code* by providing clarity in the UNC regarding Tripartite Arrangements.

### Shared Sites

This section of the Modification facilitates GT Licence relevant objective *a) Efficient and economic operation of the pipe-line system* and *b)(i) Coordinated, efficient and economic operation of the combined pipe-line system* as it provides clarity on OAD matters impacting the Gas Transporters, thus enabling effective communication between parties, and a more efficient use of assets contained within their Systems.

### Asset Removal Process

This section of the Modification facilitates GT Licence relevant objective *a) Efficient and economic operation of the pipe-line system* and *b)(i) Coordinated, efficient and economic operation of the combined pipe-line system* as it provides clarity on OAD matters impacting the Gas Transporters, thus enabling effective communication between parties, and a more efficient use of assets contained within their Systems.

### Supplemental Agreement Template

This section of the Modification facilitates GT Licence objective *f) Promotion of efficiency in the implementation and administration of the Code* by providing clarity in the UNC regarding Supplemental Agreements.

### Critical National Infrastructure

This section of the Modification facilitates GT Licence objective *f) Promotion of efficiency in the implementation and administration of the Code* by providing clarity in the UNC regarding CNI, which is a new area to OAD.

### Material Impact on ‘Affected Party’

This section of the Modification facilitates GT Licence objective *f) Promotion of efficiency in the implementation and administration of the Code* by providing clarity in the UNC regarding the criteria for a material impact on an Affected Party.

## 8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

## 9 Legal Text

### Text Commentary

Text to follow

### Text

Text to follow

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Issue this Modification to consultation