

# Gas transmission licence modifications to implement single system operation

24 March 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

To protect the short and long term interests of consumers of electricity, gas and water.

## Our Vision

To ensure value and sustainability in energy and water.

## Our Values

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

Be professional – listening, explaining and acting with integrity.

Be a collaborative, co-operative and learning team.

Be motivated and empowered to make a difference.

## Abstract

This paper considers the licence modifications required in order to implement single system operation (SSO) for gas TSOs (Transmission System Operators). This includes new obligations and some revisions to current conditions. The changes affect all of the high pressure gas conveyance licences in Northern Ireland.

## Audience

GNI (UK), Mutual Energy, other regulated companies, gas shippers, industry and key stakeholders.

## 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).
GNI	Gas Networks Ireland.
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.

# Notice Under Article 14(2) of The Gas (Northern Ireland) Order 1996

In pursuance of its powers under Article 14 of The Gas (Northern Ireland) Order 1996, the Northern Ireland Authority for Utility Regulation (UR) hereby gives notice under Article 14(2) as follows:

1. The UR proposes to modify the gas conveyance licences held by GNI (UK) Limited, Premier Transmission Limited, Belfast Gas Transmission Limited and West Transmission Limited.
2. The proposed modifications will amongst other things:
  - Set out the objectives of the *single system operation* (SSO) licence modifications.
  - Establish the requirements for the SSO contractual agreements.
  - Detail modification and approval rules for SSO agreements.
  - Determine the structures and requirements of the SSO i.e. governance committee, SSO team, single IT system, annual reporting etc.
  - Include changes to the Network Code condition to deliver a single code.
3. The reason, effect and cost/benefit of these modifications are explained in this consultation paper.
4. Proposed modifications are set out in Annex A and Annex B.
5. The purpose of this notice is to bring the proposed modifications to the attention of persons likely to be affected by them, and to invite representations or objections in connection thereto. In line with Article 14(3), any representations with respect to the proposed changes may be made on or before 2pm on the 28 April 2017, in line with instructions in section 1.3 of this document.
6. The UR has, pursuant to Article 14(4) of the Gas Order, served a copy of this notice on the licensees. A copy has also been sent to the Department for the Economy and the Consumer Council.

# 1.0 Introduction

## 1.1. Purpose of this consultation

1.1.1 This consultation paper sets out modifications proposed to the gas conveyance licences held by:

- GNI (UK) Limited;
- Premier Transmission Limited (PTL);
- Belfast Gas Transmission Limited (BGTL); and
- West Transmission Limited (WTL).<sup>1&2</sup>

1.1.2 Each of these licences authorises the holder (the 'licensee') to convey gas through 'high pressure' (HP) gas pipelines. The proposed modifications are considered necessary and appropriate to give effect to the regulatory policy for a single system market operator in Northern Ireland. Full drafting of the licence conditions can be found in Annex A and Annex B.

## 1.2. Overview of single system operation

### Historical development

1.2.1 Single system operation (SSO) refers to a co-ordinated approach between TSOs (Transmission System Operators) with respect to the carrying out of gas market related activities.

1.2.2 The idea for a SSO followed on from the Common Arrangements for Gas (CAG) project, which did not progress. Rather than an all-island system operator, the idea developed into a solution for Northern Ireland only.

1.2.3 The UR published a [consultation document](#) and [conclusions](#) paper on the single system back in 2012-13. The TSOs highlighted a preference for a co-operative approach rather than a separately licensed entity being created.

1.2.4 European compliance projects became the priority in the intervening years. However, TSOs have been working over the last two years to implement a solution. The current project is similar to that initially concluded upon in 2013 with the exception of the single control room requirement.

1.2.5 Whilst still on the agenda, the control room arrangements for MEL do not expire for a number of years. To cancel this contract and develop a single control for physical operations will have costs and benefits which must be assessed.

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<sup>1</sup> 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.

<sup>2</sup> PTL, BGTL and WTL all form part of the Mutual Energy (MEL) group.

- 1.2.6 This assessment will likely be an output requirement in the GT17 price control. It does not however form part of the current SSO project or these licence modifications.
- 1.2.7 Further detail on the project can be found at: <https://www.uregni.gov.uk/northern-ireland-european-development-nied> including project plans and an overview of the proposed model.

### **Policy rationale**

- 1.2.8 The single system operation will be delivered by means of co-operation between the licensees through a Contractual Joint Venture (CJV).
- 1.2.9 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.
- 1.2.10 Co-ordinating market operations is expected to deliver a range of benefits to industry and TSOs alike. This is anticipated to include:
- Cost efficiencies;
  - Single network code;
  - Single IT interface with shippers;
  - Single invoicing and credit arrangements;
  - Single connection policy; and
  - Reduced regulatory input.
- 1.2.11 The proposed licence changes define the activities required of the TSOs to deliver the project outputs.

## **1.3. Responding to this consultation**

- 1.3.1 The Utility Regulator (UR) welcomes industry and stakeholder views and comments on the outlined proposals. The consultation will close on the 28 April 2017.
- 1.3.2 Responses should be forwarded on or before 2pm on 28 April 2017 to:

Roy Colville

The Utility Regulator

Queens House

14 Queen Street

Belfast

BT1 6ED

Email: [Gas\\_networks\\_responses@uregni.gov.uk](mailto:Gas_networks_responses@uregni.gov.uk) with cc to [roy.colville@uregni.gov.uk](mailto:roy.colville@uregni.gov.uk)

- 1.3.3 Your response to this consultation may be made public by the UR. If you do not wish your response or name to be made public, please state this clearly by marking the response as confidential.
- 1.3.4 Any confidentiality disclaimer will be taken to apply only to information in your response for which confidentiality has been specifically requested.
- 1.3.5 Detail provided in response to this consultation, including personal information may be subject to publication or disclosure. This is in accordance with the access to information regimes; primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA).
- 1.3.6 If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory code of practice with which public authorities must comply. This deals with, amongst other things, obligations of confidence.
- 1.3.7 In view of this, it would be helpful if you could explain to us why you regard the response as confidential. If we receive a request for non-disclosure of the information we will take full account of your explanation. However, we cannot give an assurance that confidentiality can be maintained in all circumstances.
- 1.3.8 An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the UR.
- 1.3.9 This document is available in accessible formats. Please contact Roy Colville on 02890316627 or [roy.colville@uregni.gov.uk](mailto:roy.colville@uregni.gov.uk) to request this.

## 2.0 Single System Operation

### 2.1. Introduction

- 2.1.1 This paper is a statutory consultation under Article 14 of *The Gas (Northern Ireland) Order 1996*. The licence modifications have not been subject to previous public consultation. However they have been discussed informally with the TSOs.
- 2.1.2 This section of the paper outlines the licence changes required to implement single system operation. The licence condition is set out in full in Annex A.
- 2.1.3 Relevant sections of the licence condition are typically accompanied by the following details:
- a) Policy background;
  - b) Proposed change;
  - c) Reason and effect; and
  - d) Cost / benefits.

### 2.2. Condition 2.17.1 – Introduction

- 2.2.1 The introductory section 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.
- 2.2.2 Success of the project will be determined by a number of relevant objectives. At a high level these include the following:
- 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.
- 2.2.3 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.

### 2.3. Condition 2.17.2 and 2.17.3 – Arrangements for Single System Operation

#### Policy background

- 2.3.1 This section of the condition details the arrangements which will ensure delivery of the CJV. It will be each licensee's responsibility to establish, implement and maintain in force such arrangements.

## Proposed change

- 2.3.2 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:
- 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 oversight of the CJV operations.
  - d) Forming a dedicated team to carry out day-to-day activities.
  - e) Developing and operating a single IT system interface 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.

## Reasons and effect

- 2.3.3 The key reason for the proposed condition is to impose requirements on TSOs to establish and implement the functions of the SSO. The proposed condition further provides clarity as to the expectations of the UR concerning what single system operation encompasses.
- 2.3.4 The effect of the condition is that fulfilling these functions will become a legal requirement.

## Costs and benefits

- 2.3.5 It is recognised that there will be significant cost to the TSOs in undertaking such functions. Consequently the UR is in the process of determining mobilisation funds<sup>3</sup> in order to recruit staff, develop the IT system, draft legal agreements etc.
- 2.3.6 However, it is anticipated that a variety of benefits will accrue to both TSOs and network users. This includes cost efficiency in the form of reduced TSO running expenses.<sup>4</sup> Users should also benefit from simplified market operations i.e. single interface, network code, invoicing arrangements, single point of contact etc.
- 2.3.7 An updated cost benefit analysis for the single system will be included in the final determination for the GT17 price control when figures are more certain.

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<sup>3</sup> Mobilisation funds refer to a separate allowance above the price control. This funding will allow the TSOs to establish the single system and in particular to develop a bespoke IT solution.

<sup>4</sup> For a cost-benefit analysis, based on the proposals set out in the GT17 draft determination, see chapter 4 of that [draft determination](#).

## **2.4. Condition 2.17.4 to 2.17.10 – SSO Agreement**

### **Policy background**

- 2.4.1 These sections relate to the legal agreement(s) which parties to the single system must submit to. The purpose of the agreement(s) is to establish the terms that govern the relationship between the licensees. 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.
- 2.4.2 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).

### **Proposed change**

- 2.4.3 A number of requirements are detailed in these conditions. The TSOs must first agree the legal 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.
  - How unresolved disputes are determined.
- 2.4.4 The condition further details the UR role with respect to approval of the agreement(s). It further details the process involved in varying them and how modifications can be made.

### **Reason and effect**

- 2.4.5 A contract is required to detail the roles and responsibilities of the TSOs. It is designed to hold parties to account as the SSO is a joint venture. Without such an agreement, the potential exists for a party not to fulfil its obligations.
- 2.4.6 The effect of the condition is to clarify the roles and responsibilities of the licensees and matters relating to governance and management and resolution of disputes. The TSOs are free to add further detail as they consider appropriate. A key element also relates to variation of the contract/s. This gives the TSOs and the UR powers to request amendments 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.

## **Costs and benefits**

- 2.4.7 There will be some legal cost in drafting and implementing the SSO agreement/s. Funding has been provided for the project in recognition of this. The benefit of the agreements relate to clarity and transparency around working relationships.

## **2.5. Condition 2.17.11 – SSO Team**

### **Policy background**

- 2.5.1 Because the arrangements involve a contractual joint venture, it is considered important that there is a distinct and clear separation between the SSO functions and activities and the other roles and responsibilities of the TSOs. A key element of this is the establishment of a single SSO team. This is anticipated to be staffed by personnel from each TSO (and possibly externally recruited staff).

### **Proposed change**

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

### **Reason and effect**

- 2.5.3 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.

### **Costs and benefits**

- 2.5.4 Some additional funding has been provided to mobilise the staff in preparation of the anticipated 'go-live' date. Ongoing costs are unlikely to increase much as the majority of staff is expected to be current employees of the TSOs.
- 2.5.5 Benefits should be seen by network users as the team will be the single point of contact. Under normal operating conditions shippers will no longer have to engage with different TSOs when transporting gas.

## **2.6. Condition 2.17.12 – SSO IT System**

### **Policy background**

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

### **Proposed change**

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

### **Reason and effect**

- 2.6.3 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.

### **Costs and benefits**

- 2.6.4 The UR is in the process of determining an IT development allowance as part of the mobilisation budget. Ongoing costs will be funded through the GT17 price control. Significant benefits are however expected. This includes reduced vendor costs, licence costs and hosting costs as a result of only having to maintain one IT system.

## **2.7. Condition 2.17.13 – Single Network Code**

### **Policy background**

- 2.7.1 The network code relates to the transportation rules associated with using the NI gas system. At present there are four codes, one for each TSO. While similar in nature, differences exist between the rules. Shippers must accede to the codes if they wish to use the network.
- 2.7.2 A harmonised network code will simplify access rules and the process by which the code is maintained. This condition simply requires the licensee to meet the requirements as defined in Condition 2.4 of the licence (discussed in Chapter 3). The changes, reasons and costs/benefits of the single code are included in the following chapter.

## **2.8. Condition 2.17.14 and 2.17.15 – Reports**

### **Policy background**

- 2.8.1 A key objective of the single system operation is the transparent monitoring and reporting of market operations. In order to ensure that the system is being operated appropriately, it is considered necessary that the SSO team produce an annual report detailing this operation.

### **Proposed change**

- 2.8.2 This condition requires that the SSO team produce a report providing details of market performance. 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.

### **Reason and effect**

- 2.8.3 The condition will provide transparency around market operations. It will also provide detail concerning the operation of the CJV and the work of the Governing Committee. The report will be a useful tool in holding TSOs to account, whilst highlighting operational performance.

## Costs and benefits

- 2.8.4 It is likely that there will be a cost to the collation and monitoring of KPIs. This will be accounted for in the allowance provided to the CJV in the GT17 price control. However, it would be expected that a prudent system operator would wish to collect such detail at any rate.
- 2.8.5 Benefit will accrue through increased transparency. Monitoring should help identify problematic issues and help resolve issues going forward.

## 2.9. Condition 2.17.16 and 2.17.17 – Interpretation and Definitions

### Policy background

- 2.9.1 It is the intention of the UR that the TSOs work as one team in the CJV. However, it is recognised that there may be occasions where disagreements arise. In such situations there may be a need to compel parties to work together. This is the intention of the ‘acting in conjunction’ references in the licence modifications.

### Proposed change

- 2.9.2 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*.
- 2.9.3 In the context of the single system, acting in conjunction is defined as follows:
- 1) Using all reasonable endeavours to work with others to fulfil the relevant obligations.
  - 2) Providing such assistance to others as may be reasonably required to help fulfil obligations.
  - 3) When an obligation cannot be fulfilled without the assistance of others, 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 CJV fulfil their obligations.

- 2.9.4 The UR would expect that TSOs would undertake these steps to ensure SSO licence obligations are fulfilled.

### Reason and effect

- 2.9.5 The reason for the inclusion of this term is to require TSOs to work together to fulfil licence obligations. The effect will be to compel co-operation to some extent and require TSOs to update CJV agreements to ensure they are appropriate where issues arise.

## **Costs and benefits**

- 2.9.6 It is not anticipated that this will require any further costs above allowances provided for the CJV. The benefit should however be cooperation and compliance with obligations.

## 3.0 Single Network Code

### 3.1. Introduction

3.1.1 The network code condition already exists within each of the HP gas conveyance licences. The condition requires TSOs to have a code in place with the inclusion of certain details i.e. balancing procedures, safety criteria etc. 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 revised condition is designed to harmonise these rules into a single network code. It will replace the existing condition within licences.

### 3.2. Condition 2.4 – Single Network Code

#### Policy background

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.

#### Proposed change

3.2.2 The revised condition contains many of the provisions already specified. However, certain differences exist. These include the following:

- a) The requirement to implement a single network code by 1<sup>st</sup> October 2017 (Condition 2.4.1).
- b) An obligation on each licensee to act in conjunction 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.

3.2.3 Full drafting of the revised Condition 2.4 can be found in Annex B.

#### Reason and effect

3.2.4 The principal reason for the change is to establish common rules. 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.

### **Costs and benefits**

- 3.2.5 Costs of implementing the single code have been provided for as part of the project. TSOs are consulting with industry on the changes which will affect them. Benefits should however accrue to network users and TSOs alike.

# Annex A – SSO Licence Condition

## Condition 2.17: Single System Operation Arrangements

### Introduction

2.17.1 The purpose of this Condition 2.17 is to streamline the interaction and communication that is required between gas suppliers and each HP Conveyance Licensee, through the common provision by all HP Conveyance Licensees of their services and systems (which common provision shall be referred to as "single system operation") that facilitates the achievement of the following objectives:

- (a) the identification and implementation of cost efficiencies by HP Conveyance Licensees to be obtained from single system operation;
- (b) the implementation and maintenance of a Single Network Code;
- (c) the provision of a single point and system of contact for gas suppliers, including through the use of a single IT interface, for all administration services relating to single system operation; and
- (d) the accurate and transparent allocation, and robust monitoring and reporting, of costs associated with the implementation and operation of single system operation.

### Arrangements for Single System Operation

2.17.2 The Licensee shall take all reasonable steps to establish, implement, maintain in force, and comply with arrangements which ensure delivery of single system operation (by the Licensee and every other HP Conveyance Licensee) to any User using any part of the Networks of the HP Conveyance Licensees ("**single system operation arrangements**").

2.17.3 The arrangements established pursuant to paragraph 2.17.2 shall include the following:

- (a) the entering into by the Licensee and every other HP Conveyance Licensee, by no later than 2 months prior to operation or as otherwise directed by the Authority, a single system operation agreement (a **SSO Agreement**) which contains such provisions as are requisite to meet the objectives set out in paragraph 2.17.1, and implement the requirements set out in paragraphs 2.17.2 and 2.17.4;
- (b) the preparation, implementation and maintenance in force of a Single Network Code pursuant to the requirements of Condition 2.4, which sets out:

- (i) the terms of the transportation arrangements established by the Licensee, and every other HP Gas Conveyance Licensee, in respect of the conveyance of gas through any part of the HP System; and
  - (ii) the procedures whereby modifications to the single network code may be proposed, considered and implemented or rejected (“**single network code modification procedures**”);
- (c) the establishment of a governing committee that shall have managerial responsibility for the delivery and operation of the single system operation arrangements (the **Governing Committee**);
- (d) the establishment of a dedicated team (the **SSO Team**) to:
  - (i) carry out the day-to-day activities involved in delivering the single system operation arrangements (this does not include Control Room Services and physical pipeline operation); and
  - (ii) provide secretarial and administration services in respect of the Single Network Code including, without limitation, the administration of the single network code modifications procedures;
- (e) the implementation, and subsequent maintenance and operation, of an information technology system to store, retrieve, transmit and manipulate data required or used for the purposes of providing the single system operation arrangements (the **SSO IT System**);
- (f) the use only of the SSO IT System, and no other gas transportation information technology system, in the provision of the single system operation arrangements save that it is acknowledged that the SSO IT system will need to interface with any other external IT system required to deliver single system operations (e.g. PRISMA); and
- (g) any other matter relating to the common provision of single system operation arrangements to a User:
  - (i) which is specified in a direction issued by the Authority to the Licensee under this Condition 2.17 and to every other HP Conveyance Licensee under the equivalent condition in the Conveyance Licence held by that licensee; or
  - (ii) in respect of which the Authority has given its consent following a joint request made to it by the Licensee and every other HP Conveyance Licensee.

## **SSO Agreement**

2.17.4 The Licensee shall, in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to prepare and, by no later than 2 months prior to operation or as otherwise directed by the Authority, submit to the Authority for its approval a SSO Agreement which meets the requirements of this Condition.

2.17.5 The SSO Agreement shall:

- (a) set out all of the terms that govern the relationship between the Licensee and every other HP Conveyance Licensee (each a **Party**) to act in conjunction and co-operation with each other to establish, implement and comply with the single system operation arrangements; and
- (b) include, in particular, terms that provide for:
  - (i) the procedures to be adopted by the Parties, and the rights, obligations and principal tasks of each Party, in implementing, operating and maintaining the single system operation arrangements;
  - (ii) the level of resources, including financial and personnel resources, to be contributed by each Party to the implementation, operation and maintenance of the single system operation arrangements;
  - (iii) the establishment, constitution (by reference to the seniority and number of employees of each Party), and role and responsibilities, of the Governing Committee;
  - (iv) the establishment, constitution (by reference to the seniority and number of employees of each Party), role and responsibilities of the SSO Team;
  - (v) the procedures to be adopted by the Parties for:
    - (A) processing and resolving any dispute between them in respect of their respective rights, obligations and principal tasks in implementing, operating and maintaining the single system operation arrangements;
    - (B) amending the SSO Agreement to reflect the resolution of any such dispute; and
    - (C) unresolved disputes to be referred to an appropriate third party for determination, which third party may in respect of certain types of dispute be the Authority;

- (vi) any other matter which may be specified in a direction issued or consent given by the Authority to the Licensee under this Condition 2.17 and to every other HP Conveyance Licensee under the equivalent condition in the Conveyance Licence held by that licensee.

2.17.6 The Authority may within 25 days of receiving an SSO Agreement for approval pursuant to paragraph 2.17.5:

- (a) approve the SSO Agreement as submitted; or
- (b) give notice to the Licensee and every other HP Conveyance Licensee that in its opinion the SSO Agreement does not meet the requirements of this Condition 2.17.

2.17.7 Where the Authority gives notice under paragraph 2.17.6(b), it may require the Licensee to make, acting in conjunction and co-operation with every other HP Conveyance Licensee, such revisions as are in the Authority's opinion necessary or expedient in order for the SSO Agreement to meet the requirements of this Condition 2.17.

2.17.8 The Licensee shall not enter into an SSO Agreement which has not been approved by the Authority.

2.17.9 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to:

- (a) vary the SSO Agreement as may be required to:
  - (i) comply with any notice given by the Authority under paragraph 2.17.7;
  - (ii) reflect any direction issued or consent given by the Authority under paragraph 2.17.5(b)(vi);
  - (iii) reflect changes as proposed by the different Parties to the SSO;
- (b) periodically conduct a review of the SSO Agreement to ensure that it continues to be fit for the purpose of meeting the requirements of this Condition 2.17;
- (c) submit a copy of the report of the review conducted in accordance with sub-paragraph (b) to the Authority as soon as reasonably practicable; and
- (d) vary the SSO Agreement as may be required in light of any outcome of the review.

2.17.10 The Licensee shall not vary, or agree to vary, the SSO Agreement approved by the Authority without the Authority's approval to the variation.

### **SSO Team**

2.17.11 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to establish an operational SSO Team by no later than 1 October 2017.

### **SSO IT System**

2.17.12 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to ensure that:

- (a) a SSO IT System is implemented by no later than 1 October 2017; and
- (b) the SSO IT System is capable of handling, and delivering the arrangements (relating to data storage, manipulation, exchange and retrieval) set out in the Single Network Code.

### **Single Network Code**

2.17.13 The Single Network Code shall be prepared pursuant to, and meet the requirements set out in Condition 2.4 of the Licence.

### **Reports**

2.17.14 The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to submit, as soon as reasonably practicable after 31 December and not later than six months after the gas year end, a report providing details of the performance of the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, in implementing, maintaining in force and complying with the single system operation arrangements made pursuant to paragraph 2.17.2, in that calendar year.

2.17.15 Form and content of the report required by paragraph 2.17.14 to be as so specified by the Authority.

### **Interpretation and Definitions**

2.17.16 Where any provision in this Condition requires the Licensee to act *'in conjunction with every other HP Conveyance Licensee'* in the fulfilment of an obligation, the Licensee shall:

- (a) use all reasonable endeavours to work together with every other HP Conveyance Licensee to fulfil the relevant obligation;
- (b) provide such assistance as is reasonably required by each other HP Conveyance Licensee such that the relevant obligation may be fulfilled; and

- (c) to the extent the Licensee is not reasonably capable of fulfilling the relevant obligation without the assistance of any or every other HP Conveyance Licensee:
- (i) ensure that the SSO Agreement requires the HP Conveyance Licensee to provide the assistance in question, and, where it does not, seek to amend the SSO Agreement so that it does include such a requirement; and
  - (ii) exercise all rights available to it in order to obtain the assistance in question.

2.17.17 In this Condition:

<b>Governing Committee</b>	has the meaning given to it in paragraph 2.17.3(c).
<b>HP Conveyance Licensee</b>	means any person holding a licence granted, or treated as granted, under Article 8(1)(a) of the Gas [NI] Order and authorising the holder to convey gas through high pressure pipe-lines.
<b>Network</b>	has the meaning given to it in Condition 1.
<b>Party</b>	has the meaning given to it in paragraph 2.17.5.
<b>SSO Agreement</b>	has the meaning given to it in paragraph 2.17.3(a).
<b>SSO IT System</b>	has the meaning given to it in paragraph 2.17.3(e).
<b>SSO Team</b>	has the meaning given to it in paragraph 2.17.3(d).
<b>Single Network Code</b>	has the meaning given to it in paragraph 2.4.1(a).
<b>Single System Operation Arrangements</b>	has the meaning given to it in paragraph 2.17.2.
<b>User</b>	has the meaning given to it in paragraph 2.4.14.

# Annex B – Single Network Code

## **Condition 2.4: Single Network Code**

### 2.4.1 Licensee's Obligations

The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, by 1 October 2017, take all reasonable steps to:

- (a) prepare, provide to the Authority for its approval, and at all times have in force a Single Network Code, being a document which:
  - (i) sets out the terms and arrangements established by the Licensee and every other HP Conveyance Licensee for the conveyance of gas, being arrangements other than those to which Conditions 2.2 and 2.3 relate, in respect of the Networks of the HP Conveyance Licensees;
  - (ii) is designed to facilitate achievement of the “relevant objectives” set out in paragraph 2.4.2;
  - (iii) provides for the matters set out in paragraph 2.4.3;
  - (iv) provides for mechanisms for the resolution of any disputes arising in relation to any of the provisions of the Single Network Code; and
- (b) put in place appropriate contractual arrangements, approved by the Authority, which require compliance with the Single Network Code by the Licensee, every other HP Conveyance Licensee, the Users, and any third parties who may become parties to the Single Network Code.

### 2.4.2 Objectives

The “relevant objectives” of the Single Network Code referred to in paragraph 2.4.1(a)(ii) are:

- (a) the secure, safe, reliable, efficient and economic development and operation and maintenance of the Network, with due regard to the environment; and
- (b) subject thereto:
  - (i) the efficient discharge of and compliance with the obligations imposed on the Licensee and each HP Conveyance Licensee by their respective gas conveyance licensees; and

- (ii) subject to sub-paragraph (b)(i), the promotion of effective competition between Users.

#### 2.4.3 Relevant Matters

The Single Network Code shall provide for such matters as may be specified by the Authority and which include:

- (a) measures for the balancing of the Network;
- (b) the methodology used to procure the gas required for the balancing of the Network;
- (c) the methodology by which the charges are to be levied on Users for the balancing of the Network;
- (d) the technical safety criteria applicable to the operation of the Network; and

#### 2.4.4 Other Arrangements for the Conveyance of Gas

Subject to the provisions of Conditions 2.2 and 2.3, the Licensee shall not, except in so far as the Authority consents to the Licensee doing so, put in place or require any person to accept or enter into terms for the conveyance of gas except in accordance with the Single Network Code.

#### 2.4.5 Referring Matters to the Authority

Where a term of the Single Network Code or of the modification rules referred to in Condition 2.4.6 is framed so that its proper implementation is to be determined with regard to whether it facilitates the achievement of the relevant objectives, either the Licensee or any other party to the Single Network Code who has entered into arrangements to which that term applies, may, to the extent that the term so provides, refer to the Authority for determination any question as to whether a manner in which the Licensee proposes to implement the term would secure that objective.

#### 2.4.6 Code Modification Procedures

The Licensee shall, acting in conjunction and co-operation with every other HP Gas Conveyance Licensee, take all reasonable steps to establish and implement procedures for the modification of the Single Network Code, subject to the provisions of this Condition, so as to better facilitate the achievement of the relevant objectives and which will enable:

- (a) the Single Network Code to be reviewed;

- (b) modifications to be proposed by the Authority, the Licensee, any HP Conveyance Licensee or any other party to the Single Network Code;
- (c) adequate publicity to be given to any proposal by:
  - (i) drawing it to the attention of other parties to the Single Network Code;
  - (ii) sending a copy of it to anyone who asks for one; and
  - (iii) making it otherwise available in an appropriate manner where it is necessary for establishing whether the proposal would better facilitate the achievement of the relevant objective;
- (d) the preliminary views of the Authority to be sought in relation to any matter arising on a proposal to modify the Single Network Code; and
- (e) the representations or objections, with respect to any proposal to modify the Single Network Code, made (and not withdrawn) by any other party to the Single Network Code and by other persons who are likely to be materially affected by the proposal to be properly considered.

#### 2.4.7 Modification Rules

The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to:

- (a) prepare "the modification rules", that is to say a document setting out the terms of the procedures established under Condition 2.4.6, and shall furnish the Authority with a copy of the modification rules for approval;
- (b) ensure that no amendment is made to the modification rules except:
  - (i) after consulting the other parties to the Single Network Code;
  - (ii) after furnishing the Authority with a report on such consultation and consideration; and
  - (iii) with the consent of the Authority;
- (c) furnish the Authority with a copy of any modification so made.

#### 2.4.8 Prohibition on irregular modifications

The Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, shall not modify the Single Network Code except:

- (a) to comply with Condition 2.4.9(c); or
- (b) otherwise, with the consent of the Authority,

and shall furnish the Authority with a copy of any modification made.

#### 2.4.9 Role of Authority in modifications

Where a proposal is made pursuant to the modification rules to modify the Single Network Code, the Licensee shall, acting in conjunction with every other HP Conveyance Licensee:

- (a) refer for determination by the Authority any question whether the representations or objections by any other party to the Single Network Code or by any other person in respect of the proposal have been properly considered in accordance with those rules;
- (b) as soon as reasonably practicable, give notice to the Authority:
  - (i) giving particulars of the proposal;
  - (ii) where the proposal is made by any other party to the Single Network Code, giving particulars of any alternative proposal by the Licensee, acting in conjunction with every other HP Conveyance Licensee, to modify the Single Network Code in respect of the same matter;
  - (iii) giving particulars of any representations or objections made by a party to the Network Code or by any other person in respect of those proposals;
  - (iv) stating whether in its view any proposed modification should or should not be made;
  - (v) stating the factors which it believes justify making or not making the proposed modification; and
  - (vi) giving such further information as may be prescribed by the modification rules;
- (c) comply with any direction given by the Authority to the Licensee and to all other HP Conveyance Licensees to make a modification to the Single Network Code in accordance with a proposal described in a notice given to the Authority under sub-

paragraph (b) which, in the opinion of the Authority will, as compared to the existing provisions of the Single Network Code or any alternative proposal, better facilitate the achievement of the relevant objective.

#### 2.4.10 Publication of the Single Network Code

The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, take all reasonable steps to:

- (a) publish the Single Network Code and the modification rules (as modified from time to time) in such form and manner as the Authority may from time to time direct; and
- (b) send a copy of the Single Network Code and modification rules (as modified from time to time) to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

#### 2.4.11 Authority to determine material effect on persons of transportation arrangements

Except in so far as the Authority otherwise consents, the Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, refer for determination by the Authority any question as to whether a person is likely to be materially affected by a proposal to modify the Network Code.

#### 2.4.12 Reasons for refusal of access

The Single Network Code prepared in accordance with this Condition shall require the Licensee, acting in conjunction and co-operation with every other HP Conveyance Licensee, to give duly substantiated reasons for any refusal of access to any pipeline forming part of the Network.

#### 2.4.13 Prohibition on undue discrimination

The Licensee shall, acting in conjunction and co-operation with every other HP Conveyance Licensee, ensure that it does not show an undue preference for or undue discrimination against any person or class or classes of person:

- (a) in assessing, in conjunction and co-operation with any every other HP Conveyance Licensee, a person's application to become a party to the Single Network Code; and/or

- (b) in its interpretation of the Single Network Code and the application of procedures contained in the Single Network Code.

#### 2.4.14 Definitions

In this Condition:

**HP Conveyance Licensee** has the same meaning given to it in Condition 2.17 (Single System Operation of the High Pressure Gas System)

**User** means, as the context requires, any gas supplier or any person acting on behalf of a gas supplier, who has made, or seeks to make, arrangements with the Licensee, acting in conjunction with every other HP Conveyance Licensee, in pursuance of which gas is, or is to be, conveyed through the HP System and/or any gas conveyance transmission system forming part of the HP System.