

UNC Modification Panel Minutes
Meeting 318 held on Thursday 21 March 2024
at Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW and
via Microsoft Teams

Attendees		
Voting Panel Members:		
Shipper Representatives	Transporter Representatives	Consumer Representatives
D Morley (DM) OVO Energy C Paine (CP) Engie O Chapman (OC) Centrica R Fairholme (RF) Uniper S Mulinganie (SM) SEFE Energy and on behalf of D Fittock (DF)	C Gilbert (CG) BUUK D Mitchell (DMi) SGN E Allard (EA) Cadent M Montgomery (MM) National Gas Transmission T Stuart (TSt) Wales & West Utilities T Saunders (TSa) Northern Gas Networks	S Hughes (SH) Citizens Advice A Geveke (AG) EIUG
Non-Voting Panel Members:		
Chairperson	Ofgem Representative	Independent Supplier Representative
W Goldwag (WG) Chair	M Brown (MB)	None
Also, in Attendance:		
Joint Office	Observers:	
H Cuin (HCu) K Elleman (KE) R Hailes (RH) P Garner (PG)	A Clasper (AC) Cadent A Jackson (AJa) Gemserv A Johnston (AJo) Ofgem C Aguirre (CA) Pavilion Energy C Nicholas (CN) Xoserve/CDSP E Rogers (ER) Xoserve/CDSP J Ferguson (JF) JGAC	J Rigby (JR) Xoserve/CDSP K McGoldrick (KM) National Gas Transmission L Charlesworth (LC) Ofgem N Hall (NH) Ofgem S Winchester (SW) Ofgem
Copies of all papers are available at https://www.gasgovernance.co.uk/Panel/210324		

Record of Discussions

318.1. Introductions

The Independent UNC Modification Panel Chair, W Goldwag (WG), welcomed all attendees.

318.2. Note of any alternates attending the meeting

S Mulinganie on behalf D Fittock.

318.3. Apologies for Absence

D Fittock.

318.4. Code Reform Consultation Update

L Charlesworth (LC), head of Code Governance reform, introduced the Ofgem representatives in attendance and gave an update on the Ofgem Code Reform Consultation, noting the implementation consultation closes on 23 April 2024, and the DESNZ/Ofgem code manager licencing and legislation consultation closes on 05 May 2024.

For full details please refer to the [presentation briefing pack](#) published.

S Winchester (SW), principal policy expert, summarised the key areas in the consultations. These were: Designation, Consolidation, Transition, Stakeholder advisory forums, Strategic direction and Modification process including stakeholder forums, and aligning the relevant objectives (please refer to page 5 of the briefing pack).

SW provided an overview of the next steps in the preparation and delivery for the code reform, secretary of state legislation designation, future consultations, and the Code Manager selection regime.

SW advised of a webinar taking place on 26 March 2024. To register interest for the webinar please refer to industrycodes@ofgem.gov.uk for the joining instructions.

For more information please visit: <https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/energy-code-reform>

Ofgem welcomed feedback/questions. WG highlighted the need to consider the funding of the changes and asked Ofgem to provide Members with oversight. P Garner (PG) also wished to understand the £40m cost savings. T Saunders (TSa) enquired about the Code consolidation of the UNC and IGT, and the funding of this specialised piece of work.

L Charlesworth (LC) explained that current parties will fund the costs of Code Managers, either using the existing methodologies or new methodologies. This will be assessed on a case-by-case basis to meet the needs of the code.

The Panel considered the checks and balances of streamlining governance arrangements before the appointment of licensed code managers, the engagement/use of industry expertise, flexibility and involvement.

S Hughes (SM) enquired about code improvements, digitisation and the timing overlap. LC suggested inviting the Data Best Practice team to Panel for an overview following the publication of Ofgem's open letter: https://www.ofgem.gov.uk/sites/default/files/2024-03/20240315_Open_Letter_Codes_DBP.pdf

R Pomroy (RP) enquired about the establishment and membership of the Modification Process Workgroup.

S Mulinganie (SM) asked about wider market priorities for instance the market half-hourly settlement developments and the impacts on industry resources to manage various programmes of change with limited resources.

318.5. Minutes of the last meeting 15 February 2024.

Approved.

318.6. Review of Action(s) and Issue(s)

None

318.7. Consider Urgent Modifications

None.

318.8. Consider Variation Requests

None.

318.9. Final Modification Reports

a) Modification 0841 - Introduction of cost efficiency and transparency requirements for the CDSP Budget

R Hailes (RH) presented the Final Modification Report (FMR). Please refer to the Panel Discussion with the published FMR at: <https://www.gasgovernance.co.uk/0841>

RH summarised that this Modification would improve the ability of UNC Parties to fulfil their obligation jointly to control and govern the CDSP on an economic and efficient basis (under UNC General Terms, Section D, 1.4.4), through the introduction of explicit requirements for efficiency and greater transparency of the Budget.

Panel Members reviewed the initial Panel Questions raised and agreed these had been adequately assessed by the Workgroup.

Panel Members considered the representations submitted during the Consultation noting that, implementation was unanimously supported in the 10 representations received.

Panel Members agreed with respondents and the Proposer that this Modification provides greater clarity, context and visibility to the industry, especially the funding parties, in relation to the detail of costs.

Panel Members considered the Consumer Impacts and Net Zero within the Final Modification Report capturing the views of the members.

Panel considered whether the justification for Authority Direction remained, taking into account the development of the Modification and whether it would now meet the Self-Governance criteria, noting the Modification is codifying what has already begun to be put in place. Ofgem believed as this Modification relates to governance changes Authority Direction was appropriate. T Saunders (TSa) challenged the assessment and the pragmatism of the changes some of which are already in place. Panel Members considered the costs associated with the change.

Panel considered the Modification Rules and at what point the Self-Governance Statement can be rejected by Ofgem and whether the Panel wanted to vote on the Modification meeting the Self-Governance criteria.

Panel Members considered three relevant objectives:

c) Efficient discharge of the licensee's obligations

d) Securing of effective competition between Shippers and/or Suppliers; and

f) Promotion of efficiency in the implementation and administration of the Code

The views from Panel Members were captured within the Final Modification Report.

For Modification 0841, Members determined (with 14 Panel votes available):

- The criteria for Self-Governance is not met, as this Modification is likely to have a material effect on existing or future gas Consumers or the operation of Network Systems, voting (7 out of 14).
- No new issues were identified during consultation, by unanimous vote (14 out of 14).
- The Modification had no Cross Code impacts, by unanimous vote (14 out of 14).
- Panel Members voted unanimously to recommend implementation of Modification 0841 (14 out of 14).

b) Modification 0852 - Shipper notification in relation to option exercise for Customer Demand Side Response

R Hailes (RH) presented the Final Modification Report (FMR). Please refer to the Panel Discussion with the published FMR at: <https://www.gasgovernance.co.uk/0852>

RH summarised that this Modification would require National Gas Transmission to notify the relevant Shipper if a Customer Demand Side Response option is exercised.

Panel members noted that one initial representation had been submitted by National Gas Transmission and assessed by the Workgroup.

Panel Members reviewed the initial Panel Question raised and agreed this had been assessed by the Workgroup and had formed the substance of the initial representation by National Gas Transmission.

Panel Members discussed the chain of communication, the number of customers potentially involved, the importance of the physical operation of the system, the wider impacts on the market, and the effective management of gas shortage situations.

Panel Members considered the representations submitted during the Consultation noting that of the 6 representations received 5 supported implementation, and 1 was not in support.

Panel Members considered the Consumer Impacts and Net Zero.

Panel Members considered relevant objectives:

- a) *Efficient and economic operation of the pipe-line system.*
- d) *Securing of effective competition between Shippers and/or Suppliers; and*

The views from Panel Members were captured within the Final Modification Report.

For Modification 0852, Members determined (with 14 Panel votes available):

- No new issues were identified during consultation, by unanimous vote (14 out of 14).
- The Modification had no Cross Code impacts, by unanimous vote (14 out of 14).
- Panel Members agreed to recommend implementation of Modification 0852 vote (13 out of 14).

c) Modification 0854 - Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers

R Hailes (RH) presented the Final Modification Report (FMR). Please refer to the Panel Discussion with the published FMR at: <https://www.gasgovernance.co.uk/0854>

RH summarised that this Modification would extend the availability of ‘Virtual Last Resort User’ and ‘Contingent Procurement of Supplier Demand’ provisions (currently only available as a consequence of User Termination) to instances where (in exceptional circumstances) National Gas Transmission (NGT) issues a User Premises Termination Notice (as a consequence of the application of sanctions on that User by the UK Government). The availability of these two mechanisms in such an event will facilitate the maintenance, ongoing integrity and continued effective operation of the commercial Energy Balancing and Transportation arrangements in the immediate/short term until an alternative User Registration is in place for the relevant Supply Meter Points.

Panel members noted that no initial representations had been submitted.

Panel Members reviewed the two Panel Questions raised and agreed these had been assessed by the Workgroup.

Panel Members considered the representations made noting that implementation was unanimously supported in the 2 representations received.

Panel Members considered the Consumer Impacts and Net Zero and the consequences of the sanctions by the UK Government.

Panel Members considered three relevant objectives:

- a) *Efficient and economic operation of the pipe-line system.*
- c) *Efficient discharge of the licensee's obligations*
- d) *Securing of effective competition between Shippers and/or Suppliers; and*

The views from Panel Members were captured within the Final Modification Report.

For Modification 0854, Members determined (with 14 Panel votes available):

- No new issues were identified during consultation, by unanimous vote (14 out of 14).
- The Modification had no Cross Code impacts, by unanimous vote (14 out of 14).
- Panel Members agreed to recommend implementation of Modification 0854 voting a majority in favour (9 out of 14).

d) Modification 0861S - Clarification of Provisions Regarding Utilisation of the System Without Holding System Capacity

R Hailes (RH) presented the Final Modification Report (FMR). Please refer to the Panel Discussion with the published FMR at: <https://www.gasgovernance.co.uk/0861>

RH summarised that this Self Governance Modification is to add clarity on the extent of Transporters’ obligations to accept gas tendered for delivery to (or make gas available for offtake from) the System in the provisions that set out the charges payable where a User utilises the System without holding system capacity.

Panel Members considered the representation submitted during the Consultation noting that, the single representation received supported the Modification.

Panel Members agreed that this Modification would enhance the clarity of the UNC regarding the interaction between terms relating to the Use of the System and the extent of the relevant Transporter’s obligations in respect of deliveries to, and offtake from, the Total System.

Panel Members considered the Consumer Impacts and Net Zero.

Panel Members considered relevant objectives:

- d) *Securing of effective competition between Shippers and/or Suppliers; and*
- f) *Promotion of efficiency in the implementation and administration of the Code*

The views from Panel Members were captured within the Final Modification Report.

For Modification 0861S, Members determined (with 14 Panel votes available):

- No new issues were identified during consultation, by unanimous vote (14 out of 14).
- The Modification had no Cross Code impacts, by unanimous vote (14 out of 14).
- Panel Members voted unanimously to implement Modification 0861S (14 out of 14).

318.10. Workgroup Issues/Updates

None

318.11. Workgroup Reports for Consideration

a) Request 0835R - Review of Gas Demand Side Response Arrangement.

WG introduced the Request Workgroup Report summarising that this Request was raised to review the Gas Demand Side Response (DSR) arrangements post implementation of Modifications 0822 'Reform of Gas Demand Side Arrangements' and 0833 'Enabling DSR Market Offers to be made by Non-System Trading Transactions'

Following the submission of four Modifications, two of which were implemented for Gas Year 2023/24 the Workgroup recommended this Request could now be closed.

Please refer to the Request published at: <https://www.gasgovernance.co.uk/0835>

Panel Members considered the Request Workgroup Report recommendation, that this Workgroup should now be closed.

For Request 0835R, Members determined (with 14 Panel votes available):

- The Request Workgroup should be closed, by unanimous vote (14 out of 14).

318.12. Consider New, Non-Urgent Modifications

a) Modification 0869 - Revision to the Calculation Methodology of the Security Amount for Planning and Advanced Reservation of Capacity Agreement (PARCA).

The Proposer, K McGoldrick (KM) presented the Modification, explaining that it seeks to revise the price used in the calculation of the Security Amount for reservation of Capacity through a Planning and Advanced Reservation of Capacity Agreement (PARCA) from a Weighted Average Price (WAP) for Entry and Exit sites to the Reserve Price. This will ensure the Security Amount reflects the current Reserve Price determination rather than an average of geographically different prices that are no longer applicable.

Please refer to the Modification published at: <https://www.gasgovernance.co.uk/0869>

The Modification was proposed as Self-Governance with a Workgroup Assessment concluding in 3 Months. It was clarified that this Modification does not affect the pricing methodology. It was suggested that the Proposer should provide further clarity within the Modification of the revised pricing structure.

A Geveke (AG) wished to understand the financial exposure of National Gas Transmission enquiring what has been the cost exposure over the past 10 years relative to if the proposed methodology had been adopted?

AG recognised that the methodology established the level of a security deposit, but it would be interesting to know how often and the value of costs to NGT.

Panel Members considered the assessment period agreeing to a 3-month assessment at the NTSCMF Workgroup reporting back June 2024.

Panel Questions:

Q1 Pricing methodology and pricing structure to be clarified.

~~Q2 Consider the impact on gas intensive industries of the increase in volatility of the calorific value.~~

Q~~2~~³ What has been the cost to NGT over the past 10 years relative to if the proposed methodology had been adopted?

Q~~3~~⁴ Consider the cash-flow / loan impacts to applicants in respect of the security deposit.

For Modification 0869 Members determined (with 14 Panel votes available):

- There are no Cross-Code impacts, by unanimous vote (14 out of 14).
- The criteria for Self-Governance is not met, as this Modification is likely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes, by unanimous vote (14 out of 14).
- The Modification should be issued to a Workgroup for 3 months with a report to be presented to the 20 June 2024 Panel, by unanimous vote (14 out of 14).

b) Modification 0870 - Amendments to Wobbe Index and Calorific Value Lower Limits at National Transmission System (NTS) Entry Points.

M Montgomery (MM) presented the Modification, explaining that it seeks to enable implementation of a reduction in the lower limit for Wobbe Index and Calorific Value (CV) at some NTS System Entry Points following the Government's decision to reduce the lower Wobbe limit in UK legislation.

Please refer to the Modification published at: <https://www.gasgovernance.co.uk/0870>

Panel Members considered the impacts on Hydrogen blending, consumer billing, the commercial effect on other parties not opting to use the lower limit, the availability of gas quality data and fluctuations/volatility on the CV, along with the impact on gas-fired power stations and electricity security supply.

A Panel Member asked as the Modification proposes an increase in range for the Wobbe Index, and as the Calorific Value is also important to large gas users, if NGT can provide more information on the volatility of the Wobbe index? It was also questioned, what are the cost impacts on CCGTs and end consumers (gas and electricity).

The Modification was proposed as requiring Authority Direction with a Workgroup Assessment concluding in 6 Months. Panel agreed to a 6-month assessment period at the Transmission Workgroup reporting back September 2024.

Panel Questions:

Q1 Workgroup to consider the impacts on Hydrogen blending

Q2 Consider the impact on gas-intensive industries of the increase in volatility of the calorific value.

Q23 Review cost impacts on CCGTs and end consumers (gas and electricity).

Q43 Consider impacts on Exit Agreement.

Q54 Should this modification obligate data provision on gas quality?

For Modification 0870 Members determined (with 14 Panel votes available):

- There are Cross-Code impacts, by unanimous vote (14 out of 14).
- The criteria for Self-Governance is not met, as this Modification is likely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes, by unanimous vote (14 out of 14).
- The Modification should be issued the Transmission Workgroup for 6 months with a report to be presented to the 19 September 2024 Panel, by unanimous vote (14 out of 14).

318.13. Existing Modifications for Reconsiderations

The following update was provided to the estimated decision dates timetable published at <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>:

Modification	Estimated Decision Date
0842 - Gas Entry onto the Total system via an Independent Gas Transporter	Awaiting IGT172 FMR TBC
0856 - Introduction of Trials for Non-Daily Metered (NDM) Demand Side Response (DSR)	Decision Received 19 March 2024
0857 - Revision to the Determination of Non-Transmission Services Gas Year Target Revenue	12 April 2024
IGT169 – Aligning the Capacity requirements for NExA Supply Points in the UNC with Capacity requirements for LDZ CSEP Ancillary Agreement (LCAA) Supply Points under the IGT UNC (i.e. bringing Code in line with UNC0701 and UNC0853)	28 March 2024

M Brown (MB) also provided a brief overview of the current and upcoming Ofgem consultations.

318.14. Modification Reporting

Workgroup Extension Requests:

Modification	Current reporting date	Requested Panel reporting	Reason for request to change Panel reporting

		date	date/Comments
0860S - Clarify impact of exit capacity holdings on offtake rights	April 2024	May 2024	1-month extension
0864S - Update of UNC Code Communication Methods	May 2024	June 2024	1-month extension
0866S - Amendments to Demand Side Response (DSR) Arrangements	April 2024	May 2024	1-month extension

Legal Text Requests:

UNC Modification Panel Members discussed the Legal Text Requests and determined unanimously to make Legal Text Requests for the following Modification(s):

Legal Text Requests for Modifications	Accepted
0862 - Amendments to the current Unidentified Gas Reconciliation Period arrangements	Yes
0843 - Establishing the Independent Shrinkage Charge and the Independent Shrinkage Expert	No

318.15. Any Other Business

a) Self-Governance Guidance for Proposers – Review and Approval

Panel Members considered and approved the current version of the document. No changes had been proposed.

b) Meter Disconnections (OnJob file flows)

C Gilbert (CG) wished to canvas thoughts on gas meter disconnections, the RGMA flows and transaction reason codes. E Rogers (ER) confirmed that there are a number of reports provided to Shippers, but no analysis has been undertaken. It was suggested that the topic is raised at the next Distribution Workgroup Meeting on 28 March 2024.

c) Joint Office

P Garner (PG) thanked Panel Members for their support over the last 7 years and J Ferguson (JF) thanked PG on behalf of JGAC.

318.16. Date of Next Meeting(s):

Panel meetings are listed at: <https://www.gasgovernance.co.uk/panel/2024>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time / Date	New Mod Deadline	Venue
10:00 Thursday 18 April 2024	5pm Friday 05 April 2024	Teleconference / Microsoft Teams
10:00 Thursday 16 May 2024	5pm Thursday 02 May 2024	Teleconference / Microsoft Teams
10:00 Thursday 20 June 2024	5pm Friday Fri 07 June 2024	Teleconference / Microsoft Teams

10:00 Thursday 18 July 2024	5pm Friday Fri 05 July 2024	Teleconference / Microsoft Teams
10:00 Thursday 15 August 2024	5pm Friday Fri 02 August 2024	Teleconference / Microsoft Teams
10:00 Thursday 19 September 2024	5pm Friday Fri 06 September 2024	Teleconference / Microsoft Teams
10:00 Thursday 17 October 2024	5pm Friday Fri 04 October 2024	Teleconference / Microsoft Teams
10:00 Thursday 21 November 2024	5pm Friday Fri 08 November 2024	Teleconference / Microsoft Teams
10:00 Thursday 12 December 2024	5pm Friday Fri 29 November 2024	Teleconference / Microsoft Teams

Panel Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Owner	Reporting Month	Status Update
			No new actions			