














UNC Modification	At what stage is this document in the process?
<h1>UNC 0726 (Urgent):</h1> <h2>COVID-19 Liquidity Relief Scheme for Shippers</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p><b>Purpose of Modification:</b></p> <p>This Modification aims to introduce a scheme of defined duration, that seeks to assist those customers who have liquidity constraints due to COVID-19 and whose Supplier uses Shippers on Gas Transporter (GT) networks (Distribution Network Operators (DNOs) and the National Transmission System (NTS) networks).</p> <p>This Modification relates to some Transportation invoices; it excludes invoices for energy balancing. Only some Shippers will be eligible. The total value of the scheme is capped and will end by the end of the 2020/21 financial year.</p> <p>This Modification supports Ofgem's COVID-19 priorities of supporting vulnerable customers and maintaining the supply of gas and is consistent with the Ofgem open letter published on 02 June 2020.</p>	
	<p>The Proposer recommends that this Modification should be treated as Urgent and should proceed as such under a timetable agreed with the Authority.</p>
	<p>High Impact:</p> <p>Shippers, DNOs, National Grid NTS, Suppliers, Consumers</p>
	<p>Medium Impact:</p> <p>None</p>
	<p>Low Impact:</p> <p>Independent Gas Transporters (IGTs) (for awareness)</p>

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Timetable		 Any questions?
The Proposer recommends the following timetable:		Contact:
		<b>Joint Office of Gas Transporters</b>
		 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
		 0121 288 2107
		Proposer:
		<b>Richard Pomroy</b>
		 <a href="mailto:Richard.Pomroy@wutilities.co.uk">Richard.Pomroy@wutilities.co.uk</a>
		 07812 973337
		Transporter:
		<b>Wales &amp; West Utilities</b>
		 <a href="mailto:Richard.Pomroy@wutilities.co.uk">Richard.Pomroy@wutilities.co.uk</a>
		 07812 973337
		Systems Provider:
		<b>Xoserve</b>
		 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>

# 1 Summary

## What

In order to provide some relief to Shippers on payment dates for some Gas Transportation invoices, the Uniform Network Code (UNC) needs to be amended to allow for extension to payment dates for some invoices and to make provisions for the operation of the scheme and relief from some of the consequences of Shippers not paying by the existing Invoice Due Dates.

The purpose of the scheme, which is consistent with the Authority's COVID-19 priorities and the open letter "Managing the impact of COVID-19 on the energy market – introducing the option of relaxing network charge payment terms for suppliers and shippers"<sup>1</sup>, is to provide relief to Gas Suppliers through Shippers and to target this to those that are experiencing temporary COVID-19 related liquidity constraints by providing extended payment dates for some invoices. Its purpose is not to support Shippers or Suppliers with liquidity problems that existed before COVID-19. Admission to the scheme will be based on a GB wide eligibility criterion and will be administered by the Central Data Services Provider (CDSP) whose decision shall be final. The scheme will apply to certain invoices issued in July, August, and September 2020 with all amounts to be repaid before the end of the 2020/21 financial year. Shippers in the scheme are not required to increase their Code Credit Limit for the additional exposure during the extended payment period and Transporters are not required to seek additional security against the increased exposure. Should one of these Shippers be unable to make the required payments at the end of the extended payment period the Gas Transporters (GTs) will incur bad debt that will be recovered from Shippers in 2021/22. Parties should be aware of this risk.

Shippers should begin to immediately consider the eligibility criterion that will apply should the Modification be implemented, so that they can be ready to apply to the scheme, if eligible, when the application window for the first Billing Period opens.

For the avoidance of doubt, invoices issued by IGTs to Shippers on IGT networks are excluded from this proposed scheme.

## Why

Although no Shippers have, to date, approached GTs indicating a risk of defaulting payment for Transportation invoices, GTs are aware that an electricity Supplier has requested a derogation from the Distribution Connection and Use of Systems Agreement (DCUSA) Panel from the obligation to pay Distribution Use of System (DUoS) charges by the required date.

In recognition that some gas Suppliers may face liquidity constraints due to COVID-19 that they are unable to relieve internally, GTs have considered the best way to provide some targeted support. GTs have therefore proposed this scheme, that is aimed at giving relief in respect of some Gas Transportation Charges to those Shippers who may be Shippers for these Suppliers.

Due to the commercial structure of the gas industry that is defined in the Gas Act (1986), it is not possible for GTs to give relief directly to Suppliers. The scheme will operate for certain invoices issued in July, August and September 2020.

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<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2020/06/open\\_letter\\_on\\_relaxing\\_network\\_charge\\_payment\\_terms\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/06/open_letter_on_relaxing_network_charge_payment_terms_0.pdf)

It should be noted that it is expected that eligible Shippers will pass on the relief to eligible Suppliers through their existing commercial arrangements, however this cannot be mandated by the UNC.

## How

A scheme, in operation for a limited period, will be set up under which Shippers will be able to seek to defer a proportion of their Gas Transportation Charges. There will be an eligibility criterion to try and target the relief effectively. The scheme will comprise the following elements:-

- 1) The Eligibility criterion defining which Shippers can apply for assistance.
- 2) A Time constraint. Payment dates for invoices issued in July, August and September 2020 will be extended with all deferred payments being made before the end of March 2021. The scheme will then cease and existing terms prior to the scheme will again apply.
- 3) Relief from the requirement for Shippers to provide and GTs to seek additional security or surety for the additional credit provided under the scheme for the duration of the scheme only.
- 4) Relief from UNC sanctions and late payment charges for non-payment of invoices in the scheme by the existing invoice due date; however, sanctions will be applied if the extended payment dates are not met.
- 5) Interest, at existing rates, will be charged on payments not made by the existing invoice due date currently defined in the UNC.
- 6) For the avoidance of doubt, an invoice, or a part of an invoice, not in the scheme will continue to be subject to existing UNC terms.

## 2 Governance

### Justification for Urgency

Urgent status is requested as this Modification addresses a current issue that, if not urgently addressed, may cause a significant commercial impact on Shippers through Supplier failure, in turn caused by the impact of COVID-19 on consumers.

### Requested Next Steps

This Modification should be treated as Urgent and should proceed as such under a timetable agreed with the Authority. This Modification needs to be implemented as soon as possible.

Since the principles have been discussed with the Authority, and the solution is very detailed, it should proceed directly to consultation whether or not legal text is available at the start of the consultation.

## 3 Why Change?

### Requirement for change

Since the COVID-19 lockdown was enforced on 23 March 2020 several businesses have either ceased trading or substantially cut down on trading activities. At the same time some domestic customers are finding that they are experiencing significant financial impacts and may require additional support from their Supplier. Were a significant number of Suppliers to fail there would a

significant number of Supplier of Last Resort events to administer and this might disrupt the market and might expose vulnerable customers to risk.

Although no Shippers have directly approached GTs indicating a risk of defaulting payment for Transportation invoices, GTs are aware that an electricity Supplier has requested a derogation from the DCUSA panel from the obligation to pay DUoS charges by the required date.

Due to the commercial structure of the gas industry, as defined in the Gas Act (1986), it is not possible for GTs to give financial relief directly to Suppliers. This Modification is therefore designed to support those Suppliers which, due to COVID-19, find themselves in financial difficulties by providing short term financial relief to the relevant eligible Shipper, with the expectation that those Shippers will pass on the financial benefit to the Supplier in distress. The scheme is aimed at those Shippers that do not have access to support from within their company structure and therefore the criterion looks at whether an Investment Grade Rating is in place.

## Outline of Scheme

In order to protect the financial resilience of the gas networks, the GTs will provide a fund of up to £112.5m, of which £100m is provided by the DNOs<sup>2</sup>, the remainder being provided by National Grid NTS and will only be allocated to Shippers that apply within given timescales and where the application meets the required eligibility criterion. The rules of the scheme shall ensure that the relief given does not exceed the GT cap.

These rules and the associated deviation from UNC defined payment terms, need to be clearly stated to ensure transparency and therefore a UNC Modification is required. Shippers will be required to warrant that they will not pay dividends or bonuses and pay rises to senior management until deferred charges plus interest are repaid.

## Key features of scheme and points to note

This Modification should provide targeted support for a limited period for Transportation Services provided between June and August 2020 (invoiced July to September) subject to a cap on relief provided to each Shipper. It will do so by assessing Shippers against a transparent and evidence-based eligibility test (defined in the Solution), assessed on a GB wide basis and, where eligibility is confirmed, will allow extended payment terms on the majority of the charges for the following invoices:

- DNO LDZ Capacity Invoices;
- NTS Entry Capacity Invoices;
- NTS Exit Capacity Invoices relating to charges to Shippers only; and
- NTS Charges on the Commodity Invoice (NTS charges on the Commodity Invoice comprise NTS Entry Commodity Charges, NTS Exit (Flat) Commodity Charges and NTS Optional Commodity Charges).

All other invoices and an upfront payment will continue to be due for payment on the existing Invoice Due Date. The reason for this is to simplify the administration of the scheme and provide the relief on the highest value invoices.

A pre-payment agreement is an agreement between a DNO and a Shipper to pre-pay the estimated value of the LDZ Capacity and Commodity invoices, this means that the Shipper does not have to provide security or surety as required by UNC TPD V3.2. Shippers that have prepayment agreements

with any of the GTs and have made a pre-payment for a Billing Period will be excluded from the scheme for that Billing Period. The reason for this is that a Prepayment Agreement is a contract that requires pre-payment in full of the estimated value of the Capacity and Commodity Invoices and Shipper that has pre-paid the estimated value of the capacity and commodity invoice for a Billing Period cannot be said to be experiencing liquidity problems in respect of that Billing Period.

For those Shippers that qualify there will be no requirement to provide additional security to cover the amount outstanding for the extended payment period but existing levels will need to be maintained and the current provisions of the UNC in relation to provision of security will continue to apply; failure to do this will result in the GT being able to apply the existing UNC provisions. Transporters will not be required to seek additional security in relation to the additional value outstanding during the extended payment period. There will also be relief from the threat of sanctions, such as preventing Shippers from growing their portfolio and increasing capacity, for non-payment of the deferred part of applicable invoices by the existing invoice due date for the Billing Periods (trading done in), June, July and August 2020 (invoices raised in July, August and September).

Interest will be charged at the rate defined in the UNC under the Late Payment of Commercial Debts (Interest) Act 1998 (currently 8.75% reducing to 8.1% on 01 July 2020 assuming no change in base rate by 30 June<sup>3</sup>) for the extended period on the amount due, to be paid at the later due dates but a late payment charge will not be charged. The charging of interest is designed to act as a disincentive to those Shippers who are in a position to access financial relief elsewhere and will help maintain the integrity of the fund and target relief only to those most in need. Interest will continue to be charged and late payment charges will be charged on those invoices not included in the scheme if not paid by the Invoice Due Date. The threat of sanctions will be reinstated for payments due but not made on the extended payment dates, together with other specific scheme related measures described in a later paragraph below.

The eligibility test Shippers must meet to utilise the scheme is aimed at including those Shippers that have no alternative mechanism and are otherwise unable to alleviate the immediate financial impact of COVID-19 on them and their relevant Suppliers.

Each GT will administer its own fund. The fund will be allocated between the months and each month will be administered separately. To simplify administration the monthly fund will be further split between invoice types where more than one invoice type is included in the scheme and the process for sharing will be applied to each invoice type in the Billing Period. Shippers will be required to make an upfront payment which will be as a minimum a proportion of the value of each of the Applicable Invoices on the Invoice Due Date to ensure that the payment process is kept operational during the scheme. There will be a cap of £333,000 each month for each network<sup>4</sup>, (on average across the three months), on the maximum amount that a Shipper (by Shipper Short Code) can defer each month under the scheme. If this is reached the Shipper will need to pay more than the minimum proportion of the value of the Applicable Invoice on the existing Invoice Due Date.

Due to the GTs not knowing the values of the Applicable Invoices until they are issued, the exact amounts for each Shipper that can benefit from the later payment date can only be calculated by each GT after the invoices have been issued. All eligible Shippers will pay either 25% of the invoice value or the invoice value(s) minus the £333,000 cap on individual Shippers, whichever is the greater, and may be required to pay an additional amount if the GT cap has been reached for that month. There

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<sup>3</sup> This could change again with effect from 01 January 2021.

<sup>4</sup> Cadent Gas Ltd has four networks: SGN, two: and Northern Gas Networks Limited and Wales & West Utilities Limited, one each.



will therefore be additional administration for each GT and for Shippers using the scheme. This will need to be appropriately resourced to ensure compliance with the terms of the scheme.

To smooth the payment profile, each monthly deferred payment will be repaid in two equal portions. The deferred payment for the June Billing Period (invoiced in July) will be paid equally in October and November. The deferred payment for the July Billing Period will be paid equally in December and January, and the deferred payment for the August Billing Period will be paid equally in February and March.

The extended payment dates will be written into the UNC and failure to pay the sums due by the extended payment dates will result in a Shipper no longer being eligible to take part in the scheme and the current UNC rules will then apply. For the avoidance of doubt, late payment to any of the GTs in the scheme will result in the Shipper ceasing to benefit from the scheme for all GTs. The reason for this is that the eligibility criterion has been set on a GB wide basis to make administration of the scheme easier.

Any interest paid to GTs under the scheme will be used to fund any bad debt resulting from Shippers using the scheme being unable to pay their invoices and ceasing to operate. Any bad debt not covered by interest paid will be recovered from the generality of Shippers in the 2021/22 formula year.

The scheme will end on 03 March 2021 for DNOs and 23 March 2021 for National Grid NTS; these dates are the respective last extended payment dates. Any payments outstanding when the scheme ends will be subject to the prevailing UNC terms at that time.

## 4 Code Specific Matters

### Reference Documents

UNC TPD Section S Invoicing and Payment

UNC TPD Section V General particularly V3 Code Credit Limits

Both the above are available here: <https://www.gasgovernance.co.uk/TPD>

### Knowledge/Skills

A detailed knowledge of UNC payment terms and credit arrangements is required.

## 5 Solution

### Business Rules for the COVID-19 Liquidity Relief Scheme for Shippers

#### Eligibility Criterion and Application

Applications to be part of the scheme shall only be made in the Application Window for that Billing Period (Billing Period Application Window) which shall be the last five Business Days of the Billing Period.

A Shipper User who has applied and satisfies the following COVID-19 Liquidity Relief Scheme Eligibility Criterion will be defined as an Eligible Shipper for that Billing Period only.

A Shipper applying to be an Eligible Shipper shall provide the following minimum information: the Shipper Short Code(s) for which they are applying; a valid email address for each of the contact

person(s) dealing with the scheme; a valid mobile phone number for each of the contact person(s) dealing with the scheme.

*For information Shippers need to apply for each Billing Period, applications do not carry over from one Billing Period to the next.*

No new Shippers shall be admitted to the scheme for a Billing Period after the end of the Application Window for that Billing Period.

The COVID-19 Liquidity Relief Scheme Eligibility Criterion for each Billing Periods is:

Neither the Shipper themselves, nor any member of their corporate group have an investment grade credit rating

The test will use the definition of an Approved Credit Rating in UNC TPD V3.1.1 (b), this means a company that has a rating from a rating agency other than the three listed or a rating from the three listed that are below the minimum listed will not be considered to have an investment grade credit rating (IGR).

The test for all Billing Periods is that an IGR is not in place on 01 June 2020.

The test relates to both wholly owned and partially owned subsidiaries whether that be majority or minority shareholdings as this is consistent with the definition of Parent Company in UNC TPD V3.4.5.

### **Shippers with pre-payment agreements**

A Shipper with an agreement with any of the GTs to pre-pay invoices as envisaged by UNC TPD V3.2.1 (b) ii shall not be permitted to participate in the scheme if the Shipper User operates under a Pre-Payment Agreement and the Shipper User has made a pre-payment for the Billing Period for which it is applying to be admitted to the scheme.

### **Administration of eligibility by CDSP**

The decision as to which Shipper Users qualify to be Eligible Shippers shall be made by the CDSP strictly in accordance with the COVID-19 Liquidity Relief Scheme Eligibility Criterion, whose decision shall be final and binding.

The CDSP shall notify Shippers whether they qualify as Eligible Shippers for that Billing Period once a decision has been made and shall communicate the list of Eligible Shippers for that Billing Period to the GTs immediately after the end of the Billing Period.

### **Warranty by Shippers**

Eligible Shippers will warrant that they will not pay dividends or executive bonuses until all the deferred charges plus interest are repaid.

*For information breach of the warranty shall have the same consequences as a failure to pay the amounts due on the Extended Invoice Due Dates 1 or 2.*

### **Applicable Invoice**

An Applicable Invoice is limited to the following invoices and charges issued in respect of the Billing Period (trading done in) June, July, and August 2020:

- For Gas Distribution Networks; an LDZ Capacity invoice, and
- For National Grid NTS:



- an NTS Entry Capacity Invoice,
- an NTS Exit Capacity Invoice for the Invoice Items / charge types relating to Shipper Users only, and
- on the Commodity Invoice, the NTS Invoice Items:
  - NTS Entry Commodity Charges,
  - NTS Exit (Flat) Commodity Charges and
  - NTS Optional Commodity Charges.

The UNC will need to allow for these Applicable Invoices to be one invoice with multiple payment dates and notifications as described in this solution. UNC TPD Section S1.5 will probably need to be amended to allow Applicable Invoices to be Divided Invoices and to provide for the relevant notices and the payment dates within that amendment.

### Extended Invoice Due Dates

Two new concepts of an ‘**Extended Invoice Due Date 1 (EIDD1)**’ and ‘**Extended Invoice Due Date 2 (EIDD2)**’ will be introduced to supplement the existing Invoice Due Date as defined in UNC TPD Section S3.1.2. These will be the dates shown in table 1 below. All existing provisions applying to Invoice Due Dates shall apply to EIDD1 and EIDD2 unless specifically amended by this Solution.

**Table 1: Extended Invoice Due Dates**

	June 2020 Billing Period				July 2020 Billing Period				August 2020 Billing Period			
	Issue Date	Invoice Due Date	Extended Invoice Due Date 1	Extended Invoice Due Date 2	Issue Date	Invoice Due Date	Extended Invoice Due Date 1	Extended Invoice Due Date 2	Issue Date	Invoice Due Date	Extended Invoice Due Date 1	Extended Invoice Due Date 2
LDZ Capacity	6-Jul	20-Jul	5-Oct	3-Nov	6-Aug	20-Aug	4-Dec	4-Jan	4-Sep	21-Sep	1-Feb	3-Mar
NTS Entry Capacity	6-Jul	20-Jul	5-Oct	3-Nov	6-Aug	20-Aug	4-Dec	4-Jan	4-Sep	21-Sep	1-Feb	3-Mar
NTS Exit Capacity	6-Jul	20-Jul	5-Oct	3-Nov	6-Aug	20-Aug	4-Dec	4-Jan	4-Sep	21-Sep	1-Feb	3-Mar
NTS Exit Commodity*	10-Jul	22-Jul	8-Oct	6-Nov	12-Aug	24-Aug	10-Dec	8-Jan	10-Sep	22-Sep	8-Feb	9-Mar
NTS Entry Commodity	24-Jul	5-Aug	22-Oct	20-Nov	26-Aug	7-Sep	24-Dec	22-Jan	24-Sep	6-Oct	22-Feb	23-Mar

\* including NTS Optional Commodity

***For the avoidance of doubt and for information only:***

***The extended payment dates in terms of the number of days after the Day on which the Invoice Document was deemed to be received in accordance with UNC GT Section B5 or D5 is shown in table 2 below but table 1 showing Extended Invoice Due Dates above is what will go into the Legal Text.***

**Table 2: Extended Payment dates (number of days)**

Billing Period	Extended Invoice Due Date 1 (number of Days after the Day on which Invoice Document was deemed to be received in accordance with UNC GT Section B5 or D5)	Extended Invoice Due Date 2 (number of Days after the Day on which Invoice Document was deemed to be received in accordance with UNC GT Section B5 or D5)
June 2020	90	120
July 2020	120	150
August 2020	150	180

***For information, half the deferred amount will be paid on Extended Invoice Due Date 1 and half the deferred amount will be paid on Extended Invoice Due Date 2, to smooth the payment profile.***

### Caps and calculation of amount to be paid on Extended Invoice Due Dates

For any Eligible Shipper, the Shipper Billing Period Cap shall be as shown in the table below. The sum of the values of the Applicable Invoices that are due to be paid on the Extended Invoice Due Date 1 and Extended Invoice Due Date 2 to the GT shall not exceed the Shipper Billing Period Cap for that GT for that Billing Period.

**Table 3: Shipper Billing Period Cap**

Gas Transporter	Shipper Billing Period Cap (SBPC) in £ for the relevant Applicable Invoices			Sum of Shipper Billing Period Caps (for information) in £	Constituent LDZs
	June 2020	July 2020	August 2020		
<b>Wales and West Utilities</b>	326,086	336,957	336,957	1,000,000	SW, WS, WN (including Llanfyllin and Llanwrtyd Wells networks)
<b>Northern Gas Networks</b>	326,086	336,957	336,957	1,000,000	NO, NE
<b>SGN</b> (Total for Southern Gas Networks and Scotland Gas Networks) (1)	652,174	673,913	673,913	2,000,000	SO, SE, SC (including Scottish independent Undertakings LO (Oban), LC (Campbeltown), LW (Wick), LT (Thurso), LS (Stranraer))
<b>Cadent</b>	1,304,348	1,347,826	1,347,826	4,000,000	NT, WM, EM, EA, NW
<b>National Grid NTS</b>	326,086	336,957	336,957	1,000,000	Not applicable

(1) In respect of SGN, the Shipper Billing Cap is shown at a total level, shared equally between Scotland Gas Networks and Southern Gas Networks

For each GT, for each Billing Period, the sum of the values of the Applicable Invoices that are due to be paid on the Extended Invoice Due Date 1 and Extended Invoice Due Date 2 by all Eligible Shippers to that GT shall not exceed the Transporter Billing Period Cap for that GT for that Billing Period shown in Table 4 below.

**Table 4: Transporter Billing Period Caps**

Applicable Invoice Type and Gas Transporter	Transporter Billing Period Cap £M			Sum of Transporter Billing Period Caps (for information, £M)	Constituent LDZs
	June 2020	July 2020	August 2020		
<b>DNOs LDZ Capacity Invoice for stated Billing Period</b>					
<b>Wales and West Utilities</b>	4.076086	4.211957	4.211957	12.500000	SW, WS, WN (including Llanfyllin and Llanwrtyd Wells networks)
<b>Northern Gas Networks</b>	4.076086	4.211957	4.211957	12.500000	NO, NE
<b>SGN</b> (Total for Southern Gas Networks and Scotland Gas Networks) (1)	8.152174	8.423913	8.423913	25.000000	SO, SE, SC (including Scottish independent Undertakings LO (Oban), LC (Campbeltown), LW (Wick), LT (Thurso), LS (Stranraer))
<b>Cadent</b>	16.304348	16.847826	16.847826	50.000000	NT, WM, EM, EA, NW
<b>National Grid NTS</b>					
NTS Entry Capacity Charges and NTS Exit Capacity Charges (2)	0.434666	0.449155 (3)	0.449155 (3)		Not applicable
NTS Entry Commodity Charges (2)	2.096125	2.165996 (3)	2.165996 (3)		Not applicable

NTS Exit (Flat) Commodity Charges and NTS Optional Commodity Charges (2)	1.545296	1.596806 (3)	1.596806 (3)		Not applicable
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- (1) The Transporter Billing Period Cap in relation to Scotland Gas Networks and Southern Gas Networks is shown at a total level, with the network allocation based upon eligible applications received in respect of each Billing Period to optimise the relief available. See Adjustment of Transporter Billing Period Caps below for further detail. For the avoidance of doubt the Transporter Billing Period Caps for Cadent, NGN and WWU will be applied at a company level.
- (2) initial division of the £12.5m aggregate cap for National Grid between the relevant Transportation Charges is based upon the number of days in the relevant Billing Period and the proportions collected via the Applicable Charges in the whole of Gas Year 2019/20. It is worthy of note that in this calculation, NTS Exit Capacity charges only included those levied to shippers and therefore excluded those amounts levied to Gas Distribution Networks.
- (3) for National Grid only, the values outlined in the table above for July and August are indicative, any 'un-utilised' Billing Period cap in the June and July Billing Periods will be added to the overall cap for the following Billing Period allowing the required flexibility for the Relief scheme to be effectively targeted. See Adjustment of Transporter Billing Period Caps below for further detail.

### **Minimum Payment and Eligible Shipper cap**

An Eligible Shipper is required to pay by the Invoice Due Date (the '**Minimum Payment**') the greater of:

- 25% of the value of an Applicable Invoice; and
- the value of the Applicable Invoice minus the Shipper Billing Period Cap (SBPC)

*For information this is the effect of the Shipper cap and means that Shippers that are subject to the Shipper cap have to make a higher upfront payment than the minimum.*

### **For National Grid NTS only**

*For information in the case of National Grid NTS, the SBPC is a value applied over the Billing Period hence it will be reduced by any SBPC 'utilised' in respect of Applicable Invoice/s for the same Billing Period issued earlier in the month.*

Where, in the case of National Grid NTS, there is more than one Applicable Invoice, for the second Applicable Invoice, the Eligible Shipper is required to pay by the Invoice Due Date (the '**Minimum Payment**') the greater of

- 25% of the value of the second Applicable Invoice
- and the value of the second Applicable Invoice minus the Remaining Shipper Billing Period Cap (RSBPC),
- where RSBPC is the greater of the SBPC minus the Final Extended Invoice Due Date, (FEIDD) Amount, (see Transporter cap section below) for the first Applicable Invoice; and Zero.

*For Information, the FEIDD is defined later in this in the sub-section Transporter cap.*

For the third Applicable Invoice the Eligible Shipper is required to pay by the Invoice Due Date (the '**Minimum Payment**') the greater of

- 25% of the value of the third Applicable Invoice; and
- the value of the third Applicable Invoice minus the Remaining Remaining Shipper Billing Period Cap (RRSBPC),

- where RRSBPC is the greater of the RSBPC minus the FEIDD Amount for the second Applicable Invoice; and Zero.

*For information table 5 below gives an example of how the above process works for National Grid NTS*

**Table 5: Operation of Supply Billing Period Cap for National Grid NTS**

Shipper Billing Period Cap for June Billing Period (SBPC)				£326,086			
Issue Date	Applicable Invoice	Invoice Value	Minimum Payment	SBPC	RSBPC	RRSBPC	FEIDD Amount
04-Jul	NTS Capacity	£185,460	£46,365	£326,086			£139,095
10-Jul	NTS Exit Commodity	£196,000	£49,000		£186,991		£147,000
24-Jul	NTS Entry Commodity	£202,500	£162,509			£39,991	£39,991
				£326,086			

Amounts Due on Invoice Due Dates			
IDD	EIDD1	EIDD2	Total
£46,365	£69,548	£69,548	£185,460
£49,000	£73,500	£73,500	£196,000
£162,509	£19,996	£19,996	£202,500

### **Transporter Billing Period Cap**

The Initial Extended Invoice Due Date Amount (the '**IEIDD Amount**') is the difference between the value of the Applicable Invoice and the Minimum Payment.

As soon as reasonably practicable after the issue of the Applicable Invoice, the Transporter shall, where the aggregate of all Shipper Users IEIDD amounts is more than the Transporter Billing Period Cap (TBPC) calculate:

Where the aggregate of all Shipper Users IEIDD amounts:

- exceeds the TBPC; each Eligible Shipper's IEIDD will be reduced by the ratio of the TBPC to the aggregate of all Shipper Users IEIDD amounts. This adjusted value is the Final Extended Invoice Due Date Amount (FEIDD Amount). As a consequence, the Eligible Shipper will make an Additional Minimum Payment equal to the difference between the IEIDD Amount and the FEIDD Amount.
- is less than or equal to the TBPC; the Eligible Shipper's FEIDD Amount will be equal to its IEIDD Amount.

FEIDD Amounts will be payable as follows:

- 50% of the FEIDD Amount is due by Extended Invoice Due Date 1; and
- 50% of the FEIDD Amount is due by Extended Invoice Due Date 2

In respect of Scotland Gas Networks and Southern Gas Networks that each have a licence, the total TBPC will be allocated between networks based upon the eligible applications received in respect of each Billing Period, in order to optimise the relief available.

As soon as practicable following the issue date of each Applicable Invoice, the relevant GT will issue a notice to the Eligible Shipper to confirm, in respect of each invoice, the amount due to be paid by:

- the Invoice Due Date.

- Extended Invoice Due Date 1; and
- Extended Invoice Due Date 2

*For information this reflects the effect of the Transporter cap on the relief and if the Transporter cap has effect, it increases the upfront payment required above the minimum.*

Where an Eligible Shipper does not provide sufficient security to satisfy the User's Value at Risk requirement as required by UNC TPD Section V3.2.1(d)(i), then it shall pay the Additional Minimum Payment within 5 Business Days of being notified of its value by the Transporter. Failure to do this shall be a breach of User's Value at Risk (VAR) requirement required by UNC TPD Section V3.2.1(d)(i).

***For avoidance of doubt, as this amount is only paid by the Shipper because it does not have enough security to pay on the Invoice Due Date, this is not an invoice due date just a notification for information to the Shipper. Failure to pay the Additional Minimum Payment by the required date would result in a VAR breach and subsequent action under UNC Section V3 in respect of VAR breaches.***

Where an Eligible Shipper has made a payment of the full value of the Applicable Invoice before the Invoice Due Date and before the Transporter has notified the Eligible Shipper of the values of the IEIDD Amount and, where required, the FEIDD Amount and the Additional Minimum Payment then the Transporter shall refund the FEIDD Amount to the Shipper within 5 Business Days of calculating its value. The refunded amount shall be deemed to be a refund of an overpayment by the Shipper User, not an adjustment to the invoice under UNC TPD Section S1.8 and the Transporter shall not be liable to pay interest on the amount refunded to the Shipper User (UNC TPD Section S3.5.1 does not apply) and shall not be required to make a late payment charge (UNC TPD Section S3.6.5 does not apply) in respect of the refund.

*For information, the above provision should not be required if this Modification is implemented by the date proposed.*

### **Security and Surety**

The determination of the User's VAR as required by UNC TPD Section V 3.2.1(d)(i) will be assessed as if the full value of the Applicable Invoice was due and paid on the Invoice Due Date (this is equivalent to the determination of the User's VAR as required by UNC TPD Section V 3.2.1(d)(i) being assessed and operated as if the scheme was not in existence).

The assessment of the aggregate amount invoiced to the User, but remaining unpaid, used in the determination of the User's VAR as required by UNC TPD Section V 3.2.1(d)(i) will not include any such amounts that are due to be paid on either of Extended Invoice Due Date 1 or Extended Invoice Due Date 2 that remain unpaid between the Invoice Due Date and the Extended Invoice Due Date 1 or Extended Invoice Due Date 2 as the case may be.

*Table 6 below summarises the amounts included in the VAR calculation for information*



**Table 6: Amounts included in VAR calculation**

VAR		Period						
		From	To	From	To	From	To	From
		Issue	IDD or date invoice paid	IDD+1	EIDD1	EIDD1+1	EIDD2	EIDD2+1
Amount Due by	Invoice Due Date (IDD)	In VAR		In VAR		In VAR		In VAR
	Extended Invoice Due Date 1 (EIDD1)	In VAR		Out of VAR		In VAR		In VAR
	Extended Invoice Due Date 2 (EIDD2)	In VAR		Out of VAR		Out of VAR		In VAR

### **Adjustment of Transporter Billing Period Caps (TBPC)**

For each Invoice Type for each GT, if the TBPC is exceeded in a Billing Period due to an error in the operation of the scheme then the TBPCs in subsequent Billing Periods will be adjusted by the amount the TPBC was exceeded. The decision about how to make the adjustment shall be made by the relevant GT and it shall publish the revised values of the changed TBPCs by means of a notice published by the Joint Office of Gas Transporters before the end of the relevant following Billing Period.

For any Invoice Type for each GT, if the TBPC is not used in a Billing Period then the TBPCs in subsequent Billing Periods will be adjusted by the remaining unused TBPC amount. The decision about how to make the adjustment shall be made by the relevant GT and it shall publish the revised values of the changed TBPCs by means of a notice published by the Joint Office of Gas Transporters before the end of the relevant following Billing Period.

### **In the case of SGN (Scotland Gas Networks and Southern Gas Networks):**

The TBPC of £25m, and the associated monthly breakdown, is a total value across both network licences. Upon receipt of eligible applications, an adjustment will be made to split the total monthly TBPC value across the two network licences in order to best facilitate take-up of the scheme and optimise the relief available to Users. The split may vary between Billing Periods but will not exceed the total monthly TBPC.

***For the avoidance of doubt, allocation across SGN network licences will be reflected in the Minimum Payment and FEIDD Amounts confirmed to Users as defined above.***

### **Sanctions**

In respect of amounts subject to the Extended Invoiced Due Date 1 and Extended Invoice Due Date 2 that remain unpaid after the **Invoice Due Date**, the Eligible Shipper **shall not** be subject to the threat of sanctions in UNC TPD Section S 3.5.3 (prohibition on gaining new Supply Points / new customers and prohibition on capacity increase).

In respect of amounts subject to the Extended Invoiced Due Date 1 and Extended Invoice Due Date 2 that remain unpaid after Extended Invoice Due Date 1 or Extended Invoice Due Date 2 as the case

may be, the relevant User **shall** be subject to the threat of sanctions (UNC TPD Section S 3.5.3 shall apply).

***For the avoidance of doubt there is no relief from the threat of sanctions for failure to pay non-Applicable Invoices by the Invoice Due Date nor is there relief from the threat of sanctions for failure to pay the amount due for Applicable Invoices due on either Extended Invoice Due Date 1 or Extended Invoice Due Date 2. Note that failure to make these payments results in the Shipper leaving the scheme, see later section of this Solution.***

### **Late payment charges**

In respect of amounts subject to the Extended Invoiced Due Date 1 and Extended Invoice Due Date 2 that remain unpaid after the Invoice Due Date, the relevant User will not be subject to a late payment charge (UNC TPD Section S 3.6.5 shall not apply).

In respect of amounts subject to the Extended Invoiced Due Date 1 and Extended Invoice Due Date 2 that remain unpaid after Extended Invoice Due Date 1 or Extended Invoice Due Date 2 as the case may be, the relevant User **will** be subject to a late payment charge (UNC TPD Section S 3.6.5 shall apply).

*For information failure to pay the amounts due on Extended Invoice Due Date 1 and Extended Invoice Due Date 2 have other consequences detailed in following parts of this solution section.*

### **Interest charges**

*For information there is no legal text relating to interest payments as the existing UNC provisions in UNC TPD S 3.5 on late payment and 3.6 on interest apply un-amended; however, for the avoidance of doubt the following is provided for information.*

*In respect of amounts subject to the Extended Invoiced Due Date 1 and Extended Invoice Due Date 2 that remain unpaid after the Invoice Due Date, the relevant User will pay interest at the Applicable Rate as defined in UNC TPD S3.6.4 from the day following Invoice Due Date for as long as the amount remains unpaid.*

*If the amounts due on the Extended Payment Invoice Due Date 1 and Extended Invoice Due Date 2 are not paid in full then, for the avoidance of doubt, interest shall continue to be charged at the Applicable Rate as defined in UNC TPD S3.6.4.*

*For information under UNC TPD Section S 3.6.6 Invoices for interest have to be issued within 35 Days (calendar days) of the Day on which payment of the amount due is made.*

### **User Default**

Relevant amounts remaining unpaid during, and up to, the Extended Invoice Due Date 1 and Extended Invoice Due Date 2 will not constitute a User Default described in UNC TPD Section V 4.3.1.

### **Cessation of Scheme**

The scheme will cease at the end of the Gas Day on the 03 March 2021 for DNOs and 23 March 2021 for National Grid NTS unless terminated earlier by another provision.

*For information TPD S3.1.2 requires payments to be made by 24:00 on the Day the invoice is due to be paid; however, a banking day may end earlier than 24:00 and payments should be made in time to be processed by the bank on the due date.*

The scheme will cease for a GT if at any time any entity in that GT's company group will breach any of its financial covenants by continuing to provide the scheme. The GT may at its sole discretion permit deferred payments already agreed to continue to be paid under the terms of the scheme or may require immediate payment of all sums previously deferred under the terms of the scheme.

Except under the above clause at the GT's sole discretion, upon cessation of the Scheme, any invoice that was classified as an Applicable Invoice under the Scheme that remains unpaid shall be subject to the prevailing UNC provisions following cessation of the Scheme.

The obligation to make payments due under the scheme and pay any invoices and late payments charges and interest due under the scheme survives the cessation of the scheme.

### **Ceasing to be a COVID-19 Liquidity Relief Scheme Eligible Shipper**

A Shipper User that fails to pay the amount due of an Applicable Invoice by the Invoice Due date, to any GTs shall immediately cease to be a COVID-19 Liquidity Relief Scheme Qualified Shipper for that Billing Period for that GT and all deferred payments for that Billing Period for that GT shall immediately become due and the prevailing UNC terms shall apply to those payments.

A Shipper User that has breached the Warranty or that fails to pay the value due of an Applicable Invoice by Extended Invoice Due Date 1 or Extended Invoice Due Date 2 to any GT shall immediately cease to be a COVID-19 Liquidity Relief Scheme Eligible Shipper for the life of the Scheme for all GTs and all payments deferred under the scheme for all GTs shall immediately become due and the prevailing UNC terms shall apply to those payments.

***For the avoidance of doubt these cessations apply for all GTs not just the party that fails to receive the payment by the Extended Invoice Due Date.***

A Shipper User may choose to voluntarily cease being a COVID-19 Liquidity Relief Scheme Eligible Shipper in any Billing Period for a GT and all deferred payments for that Billing Period for that GT shall immediately become due and the prevailing UNC terms shall apply to those payments.

***For the avoidance of doubt nothing in the scheme rules prevent a Shipper paying an amount before it is due to be paid.***

A Shipper User that voluntarily ceases to be an Eligible Shipper in any Billing Period may not apply to be an Eligible Shipper in any future Billing Period for all GTs.

All Shippers Users cease to be Eligible Shippers on cessation of the Scheme.

### **Publishing of information**

Notifications that apply to all Eligible Shippers will be posted on the website of the Joint Office of Gas Transporters.

*For information, notifications and information that is specific to particular Shippers will be communicated between the nominated contacts provided by the Shipper and Transporter under the scheme.*

## 6 Impacts and Other Considerations

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

No, this Modification should cease to be effective prior to the implementation of an SCR. Although Modification 0678A has been implemented from the 01 October 2020 this will not affect the operation of this Modification as the last Applicable Invoice relates to a Billing Period before the 01 October 2020.

### **Consumer Impacts**

The relief is being provided to Shippers with the expectation that they will be able to pass the benefit to Suppliers who it is envisaged will use it to provide relief to consumers.

### **Cross Code Impacts**

Both the gas and electricity networks are implementing the principles of the Ofgem open letter although we understand that a DCUSA modification is not being raised. No Cross-Code impact has been identified for the IGT Uniform Network Code but IGTs should note the proposals. This Modification does not apply to transportation invoices issued by IGTs to Shippers that use IGT networks.

### **EU Code Impacts**

None.

### **Central Systems Impact**

There are no impacts identified on central systems. There will be no change to the process for calculating the applicable Transportation invoices nor issuing them. The change is to when amounts must be remitted, and this is managed by the GTs.

### **Competition**

This support is being provided to Shippers whose liquidity has been impacted by COVID-19 and who are unable to secure support from other sources. Although it provides support to some Shippers only this is reasonable as it is aimed at providing support for problems caused by COVID-19 and prevent COVID-19 related Supplier failures. This would lead to Supplier of Last Resort appointments that could, if there were a significant number, impact customers, particularly vulnerable customers. It is therefore consistent with the broad approach of UK government policy in respect to the response to COVID-19. The relief is not free, as interest will be charged for the extended payment period at a rate that is significant and eligible Shippers would need to make a commercial decision about whether to make use of this facility.

## 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.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
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.	None

This Modification furthers relevant objective d) i and ii because by providing support to Shipper and through them to Suppliers suffering from liquidity constraints due to COVID-19, it will support the viability of the existing number of Shippers and Suppliers in the market so maintaining competition during COVID-19 which should then support furthering competition between Shippers and between Suppliers post COVID-19.

## 8 Implementation

Implementation should be immediately following a Direction to implement from the Authority. Timescales are tight to implement this Modification in time for the June Billing Period. The Modification

must be implemented by 23 June (and preferably earlier) to allow the Application Window to be open for the last five Business Days of June.

For the avoidance of doubt, there is no intention to provide any element of retrospection in this Modification.

There will be administration costs for GTs administering the scheme and additional costs for Shippers participating in the scheme as they will have more payments to make.

## 9 Legal Text

### Text Commentary

This will be provided separately.

### Text

This will be provided and published separately as soon as practicable.

## 10 Recommendations

### Proposer's Recommendation to the Authority

- Agree that Urgent procedures should apply.