












UNC Draft Modification Report		At what stage is this document in the process?
<h1>UNC 0736S:</h1> <h2>Clarificatory change to the AQ amendment process within TPD G2.3</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
Purpose of Modification: <p>This Modification proposes to make a change to the AQ amendment process outlined in the Uniform Network Code Transportation Principles Document Section G 2.3 (UNC TPD G2.3) in order to clarify the circumstances in which such amendments can be made.</p>		
	<p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this Self-Governance Modification.</p> <p>The close-out date for responses is 10 December 2020, which should be sent to: enquiries@gasgovernance.co.uk. A response template, which you may wish to use, is at: https://www.gasgovernance.co.uk/0736.</p> <p>The Panel will consider the responses and agree whether or not this Self-Governance Modification should be made.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>CDSP, Shippers, Transporters</p>	
	<p>Low Impact:</p> <p>None</p>	

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Timetable		 Any questions? Contact: Joint Office of Gas Transporters
Modification 0736S timetable:		 enquiries@gasgovernance.co.uk
Pre-Modification discussion	27 August 2020	 0121 288 2107
Modification considered by Panel	17 September 2020	Proposer: Andy Clasper
Initial consideration by Workgroup	24 September 2020	 andy.clasper@cadentgas.com
Workgroup Report presented to Panel	27 November 2020	 07884 113385
Draft Modification Report issued for consultation	27 November 2020	Transporter: Cadent
Consultation Close-out for representations	10 December 2020	Systems Provider: Xoserve
Final Modification Report available for Panel	16 December 2020	 UKLink@xoserve.com
Modification Panel decision (<i>at short notice</i>)	17 December 2020	

1 Summary

What

The Uniform Network Code (UNC) currently allows for the amendment of a Supply Point Annual Quantity (AQ) when the AQ does not reflect the expected consumption of gas over the following 12 month period. Three ‘**eligible causes**’ (G2.3.21) exist which a User can utilise in order to justify the requirement for an AQ amendment.

The AQ amendment process, defined by UNC Modification 0432 - *Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform* and refined by UNC Modification 0610 - *Project Nexus - Miscellaneous Requirements*, was always meant to be an exceptions process only and not designed to facilitate mass AQ amendment process changes. This expectation was outlined within the relevant Project Nexus Business Requirements Definition document (BRD) where it stated “8.6.1 This is an exception process to amend the AQ in certain circumstances. This process is not to be used for ‘normal’ AQ increases or decreases whereby the submission of reads will update the AQ over time.”

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf>

This Modification seeks to address and clarify the intent of the rules regarding which User can make use of the eligible cause “*the commencement of a new business activity or discontinuance of an existing business activity at the consumer’s premises*” (often referred to as ‘Reason Code 3’).

Why

The Modification seeks to clarify that a User within the same organisation or an Affiliate of the previously Registered User cannot utilise ‘Reason Code 3’ to justify an AQ amendment. In our view this is a correct interpretation of the process envisaged within the Project Nexus AQ amendment BRD, i.e. only for new registrations following a switching event, “*following registration of a **new** Supply Meter Point evidence that available reads do not represent the AQ recorded*”.

How

UNC TPD G2.3.24(b) will be amended to disallow Users from utilising the AQ amendment process as per ‘reason code 3’ where the relevant Supply Point has moved between Users within the same organisation group with an Affiliate level of 25% or above.

2 Governance

Justification for Self-Governance

This Modification makes a minor amendment to the AQ amendment ‘exceptions’ process, and as such does not have a material impact on gas consumers, competition, pipeline operations, security of supply, governance procedures and does not discriminate between code parties.

Requested Next Steps

This Modification should be:

- considered a non-material change and subject to Self-Governance
- proceed to Consultation

3 Why Change?

There are provisions within UNC for a User to make amendments to any of its registered Supply Point AQs where it believes that the AQ is not representative of its consumption over the following 12-month period.

UNC outlines three '**eligible causes**' which a User can rely on when making such an AQ amendment. The eligibility criteria within UNC TPD G2.3.21(c) (known commonly as 'Reason Code 3') is designed to allow a User to make an amendment to an individual Supply Point where the AQ may not be deemed an accurate representation of expected gas usage.

This Modification will provide clarification regarding which Users can make use of 'Reason Code 3'.

This Modification is therefore required to clarify that:

- Supply Points which are within the same organisation and/or under common ownership as the previous Registered User cannot submit AQ amendments under UNC TPD G2.3.21(c).
- The 'same organisation or common ownership' test will be 25% as specified within Schedule 1A of the Companies Act 2006 referencing 'people with significant control over a company'
- Users must provide the CDSP with a list of their Affiliates equal to or above 25% in order to utilise 'reason code 3'
- Users must update the CDSP where any future changes would take the Affiliate level equal to or above the threshold of 25%.

Affiliate is a current defined term within the UNC (General Terms C 2.9.7)

2.9.7 An "Affiliate" of a specified percentage in relation to a body corporate is:

(a) another body corporate which holds not less than the specified percentage of the voting rights of the first body corporate; or

(b) a subsidiary of the first body corporate or of such a body corporate as is referred to in paragraph (a);

The term Affiliate is utilised and referenced against in three distinct areas of code.

- DSC Committee Representation – GT D Annex D-2 – Shipper User Group references a **50%** Affiliate level
- Assignment – GT B 6.1.1(a) – **33 1/3%** is referenced as the level at which a User may assign certain UNC rights
- Protected information, confidentiality – TPD V 5.1.1(a)(ii) and 5.2.1(a)(iii) – **10%** is the set Affiliate level at which Transporters and Users can disclose Protected Information.

4 Code Specific Matters

Reference Documents

Annual Quantity Business Requirements Definition for Project Nexus V6.0

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf>

<https://www.gasgovernance.co.uk/nexus/brd/aq>

Knowledge/Skills

Nothing specific.

5 Solution

BR1: A change is required to UNC TPD G2.3.24(b) to disallow a User making an AQ amendment under TPD G2.3.21(c) where the incoming User is a 25% or greater Affiliate of the outgoing User.

BR2: Until Users have confirmed group details to the CDSP, as per BR1 (this should include where they are grouped or confirmation they do not have a group), any User submitted AQ Corrections utilising reason code 3 (TPD G2.3.21(c)) will not be classed as valid.

BR3: Where there is a change or amendment to any group arrangements which amends the Affiliate % level previously notified; the User is responsible for notifying the CDSP of such change.

For avoidance of doubt, if following an AQ Correction using reason code 3 an investigation is undertaken and it is identified the AQ Correction is invalid, then dependent upon where it is in the process, the AQ Correction can be either cancelled or reversed by the CDSP.

6 Impacts & Other Considerations

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

No impact identified

Consumer Impacts

No direct impact

Cross Code Impacts

This change will impact iGT Supply Points but no iGT Modification is expected to be required as their Code allows for this change to be automatically reflected in the IGT UNC.

EU Code Impacts

No impact

Central Systems Impacts

A change will be required to create and maintain a User Relationship Table. XRN5237 will progress this system change, the cost of which will be assessed by the normal DSC Change process.

Workgroup Impact Assessment

Distribution workgroup has discussed this Modification, which seeks to clarify AQ Amendment process in TPD, at two workgroup meetings (September and October 2020). At the time of discussions an alternative Modification which was, at the time, numbered Modification 0736A had a retrospective element. The Proposer of 0736S requested that the two Modifications be de-coupled (reference was made to this having happened before with UNC Modifications 0479S and 0522). This would remove any delay in progressing Modification 0736S. The representative for the Proposer of Modification 0736A

confirmed that they were in agreement with the two Modifications being de-coupled and Ofgem also confirmed their support when asked.

A Workgroup Participant asked if anything had changed in the Modification Rules since that last time this had happened and if so, would Ofgem still support the approach of de-coupling the Modifications. Ofgem confirmed at Workgroup they would still support de-coupling of these Modifications.

The Workgroup reviewed the Solution and Legal text for Modification 0736S and confirmed the Solution met the intent of the Modification and that the Legal Text reflected the Solution.

The consensus across the Workgroup was to de-couple the Modifications with Panel being asked to vote at the November Panel. If approved, that Modification 0736S would progress as a Modification in its own right at November's Panel meeting with Panel being asked to issue the Modification out to consultation with the FMR being presented to the December Panel.

Rough Order of Magnitude (ROM) Assessment

Not Required for Modification 0736S.

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 <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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 would remove the ability for a User to move its portfolio to another User within the same organisation in order to make use of the AQ amendments process and reduce its overall AQ and corresponding Transportation charge exposure.

These changes would ensure that the AQ amendment process is only used as an exceptions process which was as originally envisaged. This would remove the ability to make mass AQ changes and therefore reduce levels of avoided charges being socialised across other industry parties; this would therefore further Relevant Objective *d) Securing of effective competition*.

8 Implementation

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

9 Legal Text

Text Commentary

Legal Text Commentary for 0736S can be found here:

<https://www.gasgovernance.co.uk/0736>

Text

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<https://www.gasgovernance.co.uk/0736>

10 Recommendations

Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this Self-Governance Modification.