










UNC Final Modification Report	At what stage is this document in the process?
<h1 data-bbox="132 320 727 412">UNC 0795S:</h1> <h2 data-bbox="132 450 1054 663">Arrangements for charging for revenue to pay valid Last Resort Supplier Payment claims</h2>	<div data-bbox="1209 315 1473 636"> <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>This Modification describes the arrangements currently used for charging for revenue to pay valid Last Resort Supplier Payment claims from Suppliers of Last Resort. It is being raised as it is unclear when or whether 0687 will be directed for implementation and clarity is required for financial year 2022/23.</p>	
<p><b>Next Steps:</b></p> <p>Panel consideration is due on <b>20 January 2022</b> (<i>at short notice by prior agreement</i>)</p>	
<p><b>Impacted Parties:</b></p> <p>High:</p> <p>Low: Shippers and Transporters</p> <p>None:</p>	
<p><b>Impacted Codes:</b></p> <p>None</p>	

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Timetable		 Any questions?
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## 1 Summary

### What

This Modification clarifies, for Shippers, the way in which Distribution Network Operators (DNOs) recover revenue to pay valid Last Resort Supplier Payment claims following Ofgem granting consent to a Supplier of Last Resort (SoLR) to submit a valid Last Resort Supplier Payment (LRSP) claim to a Transporter, in accordance with Supplier Standard Licence Condition 9, by the deadline in the Gas Transporter licence Standard Special Condition A48 and how DNOs charges are set to recover the required revenue.

### Why

In view of the large value of Last Resort Supplier Payment claims that may be submitted, setting out the arrangements in the Uniform Network Code (UNC) is necessary and provides clarity to Shippers.

### How

This requires amendments to TPD B and Y part 2.

## 2 Governance

### Justification for Self-Governance

This is proposed as a Self-Governance Modification as it will not have a material effect on any of the relevant criteria as it codifies the arrangements currently used.

### Requested Next Steps

This Modification should:

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

This Modification was initially discussed at Distribution Workgroup on 25<sup>th</sup> November as a Pre-Modification and then the final Modification with legal text was discussed at Distribution Workgroup on 13 December<sup>1</sup>. No material comments were raised at the meeting on 25 November and there is no further benefit from workgroup discussion.

Issuing the Modification to consultation in December would enable the UNC Modification Panel to make an implementation decision at January Panel which will mean that the decision will be known before DNOs publish their Transportation Charges for 2022/23 by 01 February 2022.

Closing consultations out on 11 January would allow 15 Business Days consultation of which five would be 17 to 23 December, five would be from 05 to 11 January and five would be in the period 24 December to 04 January inclusive.

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<sup>1</sup> This workgroup took place before December's Panel but after the Modification was submitted.

### 3 Why Change?

Clarity is required on the way DNOs recover the revenue to pay a valid LRSP claim in accordance with Transporter Standard Special Condition A48. There is the possibility of a significant value of valid LRSP claims being submitted requesting payment and hence requiring revenue recovery in 2022/23 for those claims that are received by the deadline in Gas Transporter licence condition A48. This Modification inserts text into the UNC that reflects the way revenue has been recovered previously in line with directions issued by Ofgem.<sup>2</sup>

Should UNC Modification 0687 be directed for implementation in sufficient time to implement it by 1<sup>st</sup> April 2022 this Modification will be withdrawn.

The governance proposed for this Modification envisages a determination by the UNC Modification Panel in January 2022, this is after the date by which Modification 0687 will need to have been directed for implementation to allow it to be implemented to take effect from 01 April 2022<sup>3</sup>; therefore, there should be no conflict between this Modification and Modification 0687.

### 4 Code Specific Matters

#### Knowledge/Skills

Some knowledge of Transportation Charging is helpful

### 5 Solution

- 1) Define the way revenue to pay valid LRSP claims (noting that several may be received during a year) is recovered:
- 2) Establish the right for the DNO to charge this amount to Shippers
- 3) For the purposes of the UNC treat the charges for the recovery of revenue to pay valid LRSP claims as a Transportation Charge so that all the provisions of TPD V to do with credit apply and to enable the LRSP charge to be invoiced as a Transportation charge in accordance with TPD S to avoid having to create new charge types. For information the proposer thinks that this should also mean this charge will be included in the calculations of the domestic Supplier price cap.

### 6 Impacts & Other Considerations

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

No impact

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<sup>2</sup> [Direction in relation to the treatment of costs in respect of Together Energy Limited's, Ovo Energy Limited's, and Shell Energy Limited's Last Resort Supply Payment claim as Miscellaneous Pass-Through | Ofgem](#)

<sup>3</sup> WWU has previously provided its view that a decision on 0687 was required by 30<sup>th</sup> November 2021

## Consumer Impacts

None. This Modification reflects the way revenue has been raised in previous years to make Last Resort Supplier Payments. The impact on consumers in 2022/23 and / or subsequent years is due to the size of the potential claims not this Modification in itself.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability	None
Lower bills than would otherwise be the case None, this text reflects the way revenue to make Last Resort Supplier Payments have been raised in the past.	None
Reduced environmental damage	None
Improved quality of service	None
Benefits for society as a whole	None

## Cross-Code Impacts

None. Note, that as currently some of the revenue is recovered from DNO charges relating to IGT Supply Points

## EU Code Impacts

None.

## Central Systems Impacts

None. The treatment of the recovery of the revenue to pay valid LRSP claims as a Transportation charge for UNC purposes avoids having to create new charge types; therefore, there should be no impacts on central systems nor on the systems of Transporters and Shippers.

## 7 Relevant Objectives

### Impact of the Modification on the Transporters' 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"> <li>(i) the combined pipe-line system, and/ or</li> <li>(ii) the pipe-line system of one or more other relevant gas transporters.</li> </ul>	None
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: <ul style="list-style-type: none"> <li>(i) between relevant shippers;</li> <li>(ii) between relevant suppliers; and/or</li> <li>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.</li> </ul>	None
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.	Positive
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

Relevant Objective c) is furthered because this Modification provides detail of how the revenue required to pay a valid Last Resort Supplier Payment claim is raised following receipt of a valid claim in accordance with Transporter Standard Special Condition A48.

Relevant Objective f) is furthered because this Modification provides clarity to Shipper Users as to how the charges are set to recover the valid Last Resort Supplier Payment claim.

## Impact of the Modification on the Transporters' Relevant Charging Methodology Objectives:

Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: <ul style="list-style-type: none"> <li>(i) no reserve price is applied, or</li> <li>(ii) that reserve price is set at a level - <ul style="list-style-type: none"> <li>(I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and</li> <li>(II) best calculated to promote competition between gas suppliers and between gas shippers;</li> </ul> </li> </ul>	None
b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	None
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	None
d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
e) 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

Note: Although this Modification defines the recovery of the revenue to pay valid LRSP claims, there are no direct impacts on the Relevant Charging Methodology objectives because this charge is raised following submission of a valid LRSP claim, by the deadline in the Transporter Licence Standard Special Condition A48, by a Supplier in respect of costs incurred as a SoLR and the revenue is charged for using the same approach as for charging for allowed revenue. For information, these amounts will only be paid to the Supplier following collection in accordance with Transporter Licence Standard Special Condition A48.

## 8 Implementation

No parties are expected to incur implementation costs.

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

Reference	Explanation
<b>TRANSPORTATION PRINCIPAL DOCUMENT</b>	
<b>SECTION B – SYSTEM USE &amp; CAPACITY</b>	
New paragraph 1.7.13	To introduce a rule to recognise that Transportation Charges can be set to take account of amounts which may be recovered by a Transporter under SSC A48.
<b>SECTION Y – CHARGING METHOLOGIES</b>	
<b>PART B – DN TRANSPORTATION CHARGING METHODOLOGY</b>	
New paragraph 11 - heading	<b>Specified Amount</b>
New paragraph 11.1	To allow gas distribution charges for a Formula Year to be calculated to allow for the recovery of 'specified amounts' following 'valid claims' received by the Transporter before the start of the Formula Year (as such terms are defined in SSC 48).
New paragraph 11.2	To define in respect of a Formula Year the Specified Amount (i.e. amounts which may be recovered (in accordance with paragraph 11.1) in the Formula Year.
New paragraph 11.3	To define the LRSP Component of a transportation charge, being the difference between the applicable transportation charge allowing for recovery of the Specified Amount and the charge that would have been payable in the absence of recovery of the Specified Amount.
New paragraph 11.4	To make clear a DN's Transportation Statement will include transportation charges which are inclusive of any LRSP Component.

### Text

#### TRANSPORTATION PRINCIPAL DOCUMENT



## SECTION B – SYSTEM USE AND CAPACITY

Add new paragraph 1.7.13 to read as follows:

1.7.13 As a consequence of Standard Special Condition A48 (Last Resort Supply: Payment Claims) of the Transporter's Licence the rate or amount of any Transportation Charge may take account of a specified amount(s) (as such specified amount is defined in the Standard Special Condition).

## SECTION Y – CHARGING METHODOLOGIES

### PART B – DN TRANSPORTATION CHARGING METHODOLOGY

Add new paragraph 11 to read as follows:

#### 11 Specified Amount

- 11.1 In respect of a Formula Year gas distribution charges may be calculated to allow for the recovery of some or all of the 'specified amount'(s) attributable to each 'valid claim' received by the DN Operator prior to the commencement of that Formula Year (the terms 'specified amount' and 'valid claim' having the meanings given to them in Standard Special Condition A48 (Last Resort Supply: Payment Claims) of the Transporter's Licence) and not recovered through its gas distribution charges in any previous Formula Year.
- 11.2 For the purposes of this paragraph 11, all amounts that are to be recovered in any Formula Year in accordance with sub-paragraph 11.1 shall in aggregate be referred to as the "**Specified Amount**".
- 11.3 In respect of a gas distribution charge the "**LRSP Component**" of such charge payable in respect of a Formula Year shall represent the difference between:
- (a) the gas distribution charge that is payable in relation to the Formula Year (allowing for the recovery of Specified Amount); and
  - (b) the gas distribution charge that would have been payable in relation to the Formula Year in the absence of the recovery of the Specified Amount.
- 11.4 In respect of a Formula Year the gas distribution charges published by a DN Operator in its Transportation Statement shall be charges which include any LRSP Component.

## 10 Consultation

Panel invited representations from interested parties on 16 December 2021. All representations are encompassed within the Appended Representations section.

The following table provides a high-level summary of the representations. Of the 4 representations received 2 supported implementation, 1 offered qualified support, and 1 was not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives
British Gas	Qualified Support	c) none f) none
Northern Gas Networks	Supports	c) positive f) positive

Octopus Energy	Oppose	c) none f) none
WWU	Supports	c) positive f) positive

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

## 11 Panel Discussions

### Discussion

### Consideration of the Relevant Objectives

### Determinations

## 12 Recommendations

### Panel Recommendation

Panel Members recommended that Modification 0795 **[should [not]** be implemented.

## 13 Appended Representations

Representation - British Gas

Representation - Octopus Energy

Representation - Northern Gas Networks

Representation - WWU