

UNC 0854:

Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers



Proposer: National Gas Transmission

Panel Date: 17 August 2023

Why change?



- UNC 0813 sought to address imbalance risk associated with a Shipper User which is subject to sanctions by the UK Government, and therefore unable to transact in the UK
- Solution provided for:
 - NGT issue of a notice to cease a sanctioned Shipper User's Supply Point Registrations (in order to trigger SoLR obligations); and
 - availability of the VLRU and CPSD mechanisms for impacted portfolio to enable efficient procurement of gas to meet associated consumer demand (SoLR would not be delivering gas to the Total System)

Why change?



- NGT's proposed issue of the cessation notice (the 'User Premises Termination Notice (UPTN)') was subject to Ofgem Disapproval
- Ofgem rejected UNC 0813 on 20th July 2023
 - “our designated regulatory functions do not cover the arrangement in the proposal for the Authority to interpret and come to a view on whether a shipper is or will become sanctioned ...and, ...decide whether to disapprove NGT's issuing of a UPTN. ...we consider that this role, ...is outside the vires of the Authority”.

Options



- **Do nothing**
 - whilst the risk of application of sanctions being applied to User has arguably diminished since UNC 0813 was conceived, we believe there remains a risk of this low likelihood, but high impact, event occurring
 - on this basis, taking steps to mitigate this risk is warranted
- **UNC 0813 solution**
 - rejected due to inclusion of the opportunity for Ofgem to Disapprove the issue of the UPTN
- **re-raise UNC 0813 solution; excluding the opportunity for Ofgem Disapproval of the issue of the UPTN**
 - preferred approach

Solution



- Where a Shipper is subject to sanctions by UK Government
 - NGT issue notice (UPTN) to cease the sanctioned Shipper User's Supply Point Registrations (in order to trigger SoLR obligations); and
 - VLRU and CPSD mechanisms may be utilised to enable efficient procurement of gas to meet associated consumer demand (SoLR would not be delivering gas to the Total System)
- Solution to reflect that contained in 0813, aside from the opportunity for the Authority to Disapprove the issue of the UPTN which is omitted in the new Proposal

Recommended Steps



- The Proposer recommends that this modification should be:
 - Not subject to Self-Governance
 - application of government sanctions on a User presents a risk of a significant commercial impact on UNC parties, on the operation of the gas system and gas markets and therefore Authority Direction is appropriate
 - Workgroup assessment to develop the modification for 3 months
 - UNC 0813 was subject to 6 month Workgroup and the solution in this new proposal is, to a large extent, the same and therefore already well-defined