

UNC Final Modification Report	At what stage is this document in the process?
<h1>UNC 0723 (Urgent):</h1> <h2>Use of the Isolation Flag to identify sites with abnormal load reduction during COVID-19 period</h2>	<div style="display: flex; flex-direction: column; gap: 10px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 01 Modification </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>To enable Shipper Users to utilise the central systems Isolation flag, under specific circumstance, without warranted activities taking place, during a COVID-19 period. Allowing for sites where businesses have closed due to COVID-19 to be excluded from the Annual Quantity (AQ) calculation, and therefore from UIG allocation during the relevant period.</p>	
	<p>The Panel recommends implementation</p>
	<p>High Impact: Shippers, Distribution Networks, NTS</p>
	<p>Medium Impact: Consumers (site specific)</p>
	<p>Low Impact: CDSP</p>

Contents		?	Any questions?
1	Summary	3	Contact: Joint Office of Gas Transporters
2	Governance	4	
3	Why Change?	4	
4	Code Specific Matters	5	enquiries@gasgovernance.co.uk
5	Solution	5	
6	Impacts & Other Considerations	6	 0121 288 2107
7	Relevant Objectives	7	Proposer: Tracey Saunders, Northern Gas Networks
8	Implementation	7	
9	Legal Text	8	
10	Consultation	8	trsaunders@northern-gas.co.uk
11	Panel Discussions	27	
12	Recommendations	28	 07580 215743
Timeline			Transporter: Northern Gas Networks
Modification timetable:			
Modification sent to Ofgem	21 April 2020		trsaunders@northern-gas.co.uk
Ofgem Decision on Urgency	22 April 2020		
Consultation Commences (3 Business Days)	22 April 2020		 07580 215743
Consultation Close-out for representations	27 April 2020		
Final Modification Report available for Panel	28 April 2020		Systems Provider: Xoserve
Modification Panel recommendation	30 April 2020		
Ofgem Decision	01 May 2020		
			UKLink@xoserve.com

1 Summary

What

Live Supply Meter Points are subject to energy allocation and are also subject to being allocated the relevant share of Unidentified Gas (UIG) against each site. UNC Transportation Principle Document (TPD) Section G 3.5 states that a site that is Isolated by a Shipper User is deemed to warrant that the site is no longer being able to consume gas and is therefore removed from energy allocation and receiving allocation of UIG during the period of Isolation.

Restrictions on businesses and people under the COVID-19 response, which includes measures as stated in Coronavirus Act 2020, has resulted in some sites not consuming gas, but as they are still capable of consuming and not discontinued, they cannot currently be deemed as Isolated for purposes of UNC TPD Section G.

Currently Shipper Users can send a notice to Isolate a site by providing a notification to CDSF to advise that they have carried out specific activities with relation to cessation of the supply of gas at a Supply Meter Point under the following conditions as stipulated in UNC TPD Section G 3.5.5 'Where a User provides a notification in accordance with paragraph 3.5.2 such User shall have taken all reasonable steps to ensure that all work to cease the flow of gas has been carried out by suitably competent personnel using that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced person complying with applicable law, recognised industry standards and GDN/PM/GT4, engaged in the same type of undertaking and the Transporter will be entitled to assume that the User has complied with such obligation'

This Modification seeks to temporarily allow these sites to be marked, and treated as, 'Isolated' for the purposes of Annual Quantity (AQ) calculations, energy allocation and UIG, without meeting the conditions for physical discontinuance as stated in UNC TPD Section G 3.5.5, whilst affected by measures in the Coronavirus Act 2020.

Why

The effect of Isolation becoming effective is that the Supply Meter Point is no longer subject to Energy allocation including UIG, and Class 3 and 4 Supply Meter Points would be excluded from allocations and therefore such Supply Meter Points would be excluded from the aggregate of the NDM Supply Meter Point Demands in each Exit Zone (UNC TPD C1.5.1a(i)). The period for which the Supply Meter Point is Isolated will also be excluded from AQ calculations, therefore following the Supply Meter Point Re-establishment the allocations will be based upon the relevant AQ prior to the COVID-19 period.

How

Where a Shipper User identifies a site as having nil (or de minimis) consumption as a direct result of restrictions resulting from the Coronavirus Act 2020, Shipper Users will be able to apply for relevant registered Supply Meter Points to be marked as Isolated, whilst they are still capable of consuming gas. This will allow such Supply Meter Points to be excluded from energy allocation and the allocation of UIG. This will warrant that the Shipper User is specifically aware of the change in demand at the Supply Meter Point meeting the criteria.

2 Governance

Justification for Urgency

This Modification is allowing sites with unusual usage reductions resulting from actions implemented during the COVID-19 period to be deemed as Isolated, therefore removing them from being eligible for energy allocation, or being allocated a share of UIG for this period. This would change the share of UIG amongst the remaining sites. Due to COVID-19 being a temporary situation, and relief for some of this impact to relevant Shipper Users and consumers being required in the short term, this Modification is proposed to follow an urgent timetable as this is a current issue with a significant commercial impact on some Shipper Users and Consumers.

Requested Next Steps

This Modification should:

- be treated as urgent and should proceed as such under a timetable agreed with the Authority.

3 Why Change?

Whilst COVID-19 is causing changes in consumption of gas in the short term, both increased and decreased consumption. This Modification proposal seeks to address the specific issue where sites have ceased consumption due to restrictions placed on their business or workforce, under Coronavirus Act 2020. This unusual consumption pattern if taken into account in the AQ calculation will contribute to UIG calculations, and the sites will also receive a share of the UIG allocation.

Examples of the types of sites that have been impacted by the Coronavirus Act 2020 due to forced temporary closure includes but is not limited to, restaurants, a large proportion of take-away food services, public houses, garden centres etc.

Examples of the types of sites that have been impacted by the Coronavirus Act 2020 due to non-essential travel of workforce or clients includes but is not limited to, hair and beauty premises, pre-schools, clothing retailers, manufactures of non-essential items etc.

This Modification seeks to temporarily allow these sites to be marked and treated as Isolated for the purposes of energy allocation, AQ and UIG calculations for the COVID-19 period.

Currently Shipper Users can send a notice to Isolate a site by providing a notification to CDSP to advise that they have carried out specific activities with relation to cessation of the supply of gas at a Supply Meter Point under the following conditions as stipulated in UNC TPD Section G 3.5.5 'Where a User provides a notification in accordance with paragraph 3.5.2 such User shall have taken all reasonable steps to ensure that all work to cease the flow of gas has been carried out by suitably competent personnel using that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced person complying with applicable law, recognised industry standards and GDN/PM/GT4, engaged in the same type of undertaking and the Transporter will be entitled to assume that the User has complied with such obligation'

This Modification is seeking to allow a Shipper User to advise the CDSP to mark a site as Isolated using the central system Isolation flag without the above UNC TPD Section G 3.5.5 conditions being met, this is only applicable to sites who have no usage, or a de minimis amount of usage, and the relevant Shipper User will be expected to request removal of the flag once the Coronavirus Act 2020 restrictions are no longer in place.

The effect of the Isolation becoming effective is that the Supply Meter Point is no longer subject to Energy and UIG allocation, and Class 3 and 4 Supply Meter Points would be excluded from allocations and therefore such Supply Meter Points would be excluded from the aggregate of the NDM Supply Meter Point Demands in each Exit Zone (UNC C1.5.1a(i)). The period for which the Supply Meter Point is Isolated will also be excluded from AQ calculations therefore following the Supply Meter Point Re-establishment the allocations will be based upon the relevant AQ prior to the COVID-19 period.

4 Code Specific Matters

Reference Documents

None

Knowledge/Skills

Knowledge of the UNC would be beneficial.

5 Solution

Where a Shipper User identifies a site as having nil or de minimis consumption as a direct result of it restrictions resulting from the Coronavirus Act 2020, Shipper Users will be able to apply a flag to the registered Supply Meter Point to be marked as Isolated.

The periods during which the a relevant Supply Point is deemed to be in a COVID-19 period for the purposes as outlined in COVID-19 specific Modifications are: Where any of the powers as laid out in the Coronavirus Act 2020 Schedule 22, (Powers to Issue Directions Relating to Events, Gatherings and Premises) are enacted for all or any of England, Scotland, Wales, then this will be deemed to be a COVID-19 Period for UNC purposes for the relevant Supply Meter Point when the Supply Meter Point is situated in the a part of the UK for the period during which any of the powers enacted relevant to that part of the UK are in force.

Whilst sites have an Isolation flag under during the COVID-19 period, Re-establishment rule UNC TPD G 3.7.1 'Where a Supply Meter Point has been Isolated in accordance with paragraph 3.5.3 and the Transporter or the CDSP becomes aware that gas is capable of being off taken at that time (without further action being taken) from the Total System at such point then the Transporter or (as the case may be) the CDSP will notify the other, and the CDSP shall notify the Registered User of such fact' will not be applicable.

Shipper Users will only be able to apply for the relevant COVID-19 period as specified above.

Shipper Users are obligated to request an immediate removal of the Isolation flag should they become aware of usage of gas increasing at the site above the de minimis level of 2.5% of the pre COVID-19 period.

Shipper Users are obligated to request an immediate removal of the Isolation flag should the site no longer be classed as being deemed to be in a COVID-19 period, as per the UNC definition for this purpose set out in this Modification and UNC Transition Document.

Any meter read liabilities will be suspended, where the Isolation flag is set for conditions met under this Modification.

6 Impacts & Other Considerations

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

This is a temporary solution, the Transition rules introduced by this Modification are not intended to still be in place when Faster Switching legal text is introduced and therefore have no impact on the SCR.

Consumer Impacts

This Modification should have a consequential impact on sites where Shipper Users are applying the Isolation flag under conditions set out in this Modification, as this will reduce the volume of energy and consequential UIG allocated against this site, and therefore any potential charges associated that would be passed directly on to consumers.

Cross Code Impacts

IGTs may wish to consider a similar Modification where applicable.

EU Code Impacts

No impacts identified.

Central Systems Impacts

No Central Systems impacts have been identified as this Modification proposes to use existing system functionality.

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.	Positive
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

Due to COVID-19 the gas industry is seeing a change in gas consumption; therefore, this Modification proposal seeks to redress some of the economic impacts that this change is having across wider industry and end consumers. where their change in consumption behaviour is a direct response to the measures set out in the Corona Virus Act 2020, therefore this Modification has a positive impact on Relevant Objective a).

In addition, by correctly apportioning gas allocations across consuming Supply Meter Points should support the maintenance of competition in the relevant consumer markets between Shippers and Suppliers and therefore further Relevant Objective d).

8 Implementation

As Urgency status is being requested, implementation could be as soon as authority approval is given.

9 Legal Text

Legal Text has been provided by Northern Gas Networks and is published alongside this report.

Text Commentary

Legal text has been published alongside this Modification.

Text

Legal text has been published alongside this Modification.

10 Consultation

Ofgem invited representations from interested parties on 22 April 2020. The summaries in the following table are provided for reference on a reasonable endeavours' basis only. It is recommended that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 24 representations received 19 supported implementation, 3 provided comments and 2 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Ceramics Confederation	Support	a - positive d - positive	<ul style="list-style-type: none"> Appreciates the prompt action by the UNC with the urgent consideration of Modification 0723 and others. Supports the Modification for the benefits to NDM class 3 and 4 for Annual Quantity (AQ) calculations, energy allocation and UIG, so providing some protection against some non-commodity charges. However, would welcome consideration of actions on wider costs around fixed and standing charges for sites and for the larger consuming Class 1 and 2 sites.
British Gas	Oppose	a - negative d - negative	<ul style="list-style-type: none"> In general notes that settlement accuracy has been temporarily impacted by significant changes in gas demand due to the COVID-19 lockdown. Where remote reads are still available these inaccuracies will substantially unwind as reads are processed and reconciliations can be applied. For sites that rely on pedestrian reads (and sites unable to repair non-working remote reading equipment) the unwinding will take longer to achieve. Recognises the challenge represented by supply points that are being over-allocated for this period and are therefore generally supportive of the intent of the

			<p>proposals relating to this (UNC 0721, UNC 0722, UNC 0723). However, as much as they address the issue at hand, they also introduce additional settlement risks that need mitigation through an effective control framework.</p> <ul style="list-style-type: none"> • Believes that the framework should be established before the Modifications are considered for approval, and therefore opposes the implementation of this Modification on the grounds that If Isolation flags are applied in an sites with Isolation flags are not allocated unidentified gas. Without physical Isolation in place, these supply points may still consume gas, and therefore contribute to unidentified gas which will be apportioned to the rest of the market. • Suggests that Ofgem need to be confident that the measures will make gas settlements more accurate. • Notes there has been limited time available to assess the impact of these proposals. • Believes that whilst they understand the need for urgency, the increased risk of unintended consequences needs to be considered when deciding whether to approve these Modifications. • On balance, does not support the implementation of these Modifications without an effective control framework. Ofgem need to be confident that the measures will make gas settlements more accurate. • Is of the opinion that it is expected that the Performance Assurance Committee, with the assistance of Xoserve, will retrospectively monitor the usage of Isolation flags. To facilitate this, reporting on Shipper activity regarding this Modification needs to be provided to the PAC on a regular basis (weekly as a minimum) as close to real-time as possible. This should also be published on an aggregated basis. This may require Shippers to provide reports on activity. • Believes that in order to protect the integrity of gas settlements an independent body should be made accountable for reviewing and approving any plans Shippers have for the usage of the Isolation flag during the COVID-19 lockdown period, and for ensuring the orderly unwinding of these measures at the end of this period. Shippers should provide supporting evidence to reasonably assure the reliability of their use of the Isolation flag. • uncontrolled manner, there is the risk that excess allocation may apply to the rest of the market and that If
--	--	--	--

			<p>any evidence is found that settlements' accuracy is being compromised a process to review and correct, with a similar level of urgency these Modifications are following, will be required.</p>
Cadent	Support	<p>a - positive d - positive</p>	<ul style="list-style-type: none"> • Observes that currently under the UNC, a Shipper User is able to set a Supply Point to 'Isolated' status where the Supply Point has been physically isolated in accordance with the recognised Industry standard GDN/PM/GT4. This requires an Engineer to attend site to carry out the necessary works. • Believes that this Modification removes the requirement to ensure that gas flow is physically prevented at site, prior to setting to 'Isolated' status, for those Supply Points which have either zero or de-minimus consumption for reasons associated with the COVID-19 lockdown. • Is supportive of this pragmatic approach to temporarily allow relevant Supply Points to be treated as Isolated without the requirement for an engineer to attend site. • Agree with the Proposer that implementation of the Modification could be as soon as authority approval is given. • Has not identified any impacts and costs associated with implementation of the Modification. • Is satisfied that the legal text meets the intent of the Modification.
Drax	Support	<p>a - positive d - positive</p>	<ul style="list-style-type: none"> • In supporting the Modification, points out that due to restrictions under COVID-19, many sites are either not consuming gas or are using minimal volumes but are still subject to energy allocation and relevant allocated share of Unidentified Gas (UIG). • Support the proposal to temporarily allow Shippers, under specific circumstances, to use the existing central system process of 'Isolation flag' for certain supply points which have seen a near-complete or total reduction in gas usage due to 'lock down' restrictions from allocation, nomination and application of certain charges. • Believe that this proposal is positive for Relevant Objectives a) and d). • Notes that this change has been granted urgent status due to the unprecedented impacts of COVID-19. Given the urgency, the proposed solution has necessitated one that has no system impacts and required process updates, and so could effectively be implemented

			<p>immediately following approval. Our expectation is that this proposal would be subject to close monitoring by PAB and Ofgem to ensure consistent application and development of an appropriate restoration plan, to reinstate normal industry arrangements that have been suspended or altered temporarily for the purposes of responding to COVID 19.</p> <ul style="list-style-type: none"> • Is of the view that there will be process impacts only from a supplier perspective. Isolation flags used as a consequence of this Modification will need to be removed at the appropriate date post COVID-19, and so parties will need to maintain a record of those sites impacted so that they can easily distinguish them from genuinely isolated sites. • Suggests that the legal text requires definition of Relevant Period that UNC Modification 0723 would apply for and that it remains unclear at what stage/trigger, other than the end of the Government's COVID-19 provisions would necessitate removal of this section from the Code. • Points out that Isolation flags set due to restrictions under COVID-19 will need to be removed at the appropriate date post the COVID-19 period, we believe that parties should be required to maintain an auditable record of those sites impacted so that they can easily distinguish them from genuinely isolated sites. • Notes that the Performance Assurance Board may need to establish working groups to ensure that any potential unintended consequences are mitigated.
E.ON	Oppose	a - negative d - negative	<ul style="list-style-type: none"> • Recognises the impacts which COVID-19 has had on organisations, it is not limited to domestic or I&C and there is no single approach to behaviours which are being applied e.g. lockdown = businesses have closed so use has plummeted and therefore domestic use has rocketed. It has not been an equal and opposite application, it has instead seen unique MPRN level use changes with some businesses increasing use to meet demand and others reducing to keep things ticking over and some domestic use has vastly increased with others reducing. Put simply there is no single rule which can be applied. • Notes that the solution outlined in this Modification creates the mechanism to allow the Isolation flag to be applied to sites with very low to no use, although theoretically could assist in the short term by introducing a flag for site, there are likely to be knock on impacts

			<p>demand estimation modelling and therefore could have unintentional consequences which would be difficult to unpick and could have unintended ramifications in future years modelling.</p> <ul style="list-style-type: none"> • Believes that it is undefined how the evidence will be consistently applied across all, what is deemed adequate by one might not be by all, if it is not robustly applied then it could defeat the object of what this mod is trying to achieve. • Believes that it is unclear if the defined term for relevant period links to that outlined in 0721, if that Modification is not implemented will it still link to the lockdown period? • Believes that it is unclear how companies that have ceased trading whilst having the lockdown Isolation flag attached will be managed and anticipates that the flags will have to be removed and reapplied with the warranty associated to a true Isolation. • Questions how in the opposite scenario, would those who reopen and increase use before lockdown ceases be monitored to ensure that the Isolation flag has been removed before the end of the lockdown period? The application of the Isolation flag could incorrectly influence the modelling in a different way and be harder to unpick. • Notes that the UIG taskforce already has an existing issue with sites that are flagged as isolated that are actually consuming gas volumes pre-COVID-19 so allowing the Isolation flag to be used temporally due to low levels of consumption is likely to seriously exacerbate that existing issue both during & post the lockdown position, as industry will not be able to tell which are genuine Isolations or not until after the lockdown & reads are submitted. • Also believe that the solution could create additional problems with change Supplier/Shipper, as the only party privy to the true use of Isolation flag is the existing Shipper. Any other parties who could have tendered for future contracts for any sites flagged as 'isolated' may decline on the basis the site is isolated when it isn't. As such, we believe that relevant objective d) Securing of effective competition is negative. • Believes that the proposed solution could distort the domestic part of the market and see them erroneously picking up charges which are meant for I&Cs, and we are not sure the post lockdown impacts have been thoroughly investigated and outlined so we are
--	--	--	--

			<p>concerned this solution could just move the problem around.</p> <ul style="list-style-type: none"> • Would recommend that reporting to identify the COVID-19 instances is put in place should this Modification be approved. There needs to be visibility to manage the UIG changes resulting from this (and also that they are backed out as soon as possible) so the profile impacts can be corrected otherwise they will impact profiles for the next 4 years which is something that needs to be avoided. • Believes that a rule which instead rolls over the Formula Year AQ from 2019 into 2020 would be a more generic approach which can be modelled and doesn't have complex rules or require unpicking. • Notes that if approved, implementation could be immediately after approval. • Believes there would be costs to update systems to align to the requirements. Without further detail we would initially size this as a small to medium level change which is unlikely to require a project to mobilise the implementation. • Remains unsure if the definition of 'relevant period' is meant to be also introduced into 0723 as well as part of 0721 - if 0721 is not approved does the drafting still link to the period of lockdown? • Is of the view that the solution is likely to have an impact on IGT connected sites, so would recommend that that cross-code impacts in the IGT UNC are also considered.
EDF Energy	Support	a - neutral d - neutral	<ul style="list-style-type: none"> • Understands that during these unprecedented times there is a desire for these Modification Proposals to be given urgent status and will follow expediated Modification procedures, believes that there is a significant risk that the flexibility these Modifications provide could result in wide-spread abuse by Shipper Users that will require future corrective measures to address. • Suggests that these Modifications require robust exit strategies and effective reporting needs to be considered to deter and control any undesirable practices and outcomes before they are implemented. • Supports the implementation of this Modification and recognise the value this will add for large sites impacted by the COVID19 pandemic.

			<ul style="list-style-type: none"> • Believes that there is a risk that this could be abused by Shipper Users and therefore measures that require Shipper Users to evidence their decision to use the Isolation Flag and justify the duration of which the Isolation Flag will be used should be considered. • Suggests that this could be measured and reported as a new metric within PAF reporting to encourage Shipper Users to take prompt action to remove the Isolation Flag where businesses resume operations and/or the de minimis consumption increases.
Energy Intensive Users Group	Support	a - positive d - neutral	<ul style="list-style-type: none"> • Noted that the impact of COVID-19 has created uncertainty in gas demands for many customers, believes that the additional social distancing protocols will cause issues with access to properties for meter reading purposes further impacting the NDM demand attribution algorithm. • Is of the view that this Proposal will allow an Isolation flag to be used to remove that site from the allocation process which will ultimately help protect the NDM demand attribution. Whilst this may help protect some customers from commodity charges, more should be done to protect DM customers from their fixed/capacity charges. • Supports immediate implementation. • Has not identified any potential impacts or costs associated with implementation of this Modification. • Is satisfied that the legal text delivers the intent of the Modification solution but noted more should be done to protect DM customers • Suggests that the proposed solution will help protect Shipper/supplier responsibilities (for meter reading performance), and transporter responsibilities (for protecting the NDM demand attribution and shrinkage processes). • Believes that more help should be provided in helping DM customers with fixed/capacity charges and ensuring that DM sites do not change load bands (and therefore exposed to higher unit charges in the following charging periods) as an unintended consequence of any changes. • Observes that within the current health & economic climate, many DM 'industrial and commercial' consumers have reduced (or completely ceased) their levels of gas consumption due to falling product demands. Many do not know when normal operations will resume.

			<ul style="list-style-type: none"> Remains concerned that despite no product demand and therefore no income, they are still exposed to the fixed/capacity charges of the charging regime. This mod (or similar) should explore how to offer DM sites temporary relief of the fixed/capacity charges in a similar way that Modification 0275 offered protection during the economic crisis in 2008/09.
ENGIE	Support	a - positive d - neutral	<ul style="list-style-type: none"> Is supportive of the Modification as part of the general effort to address the COVID-19 impact on the gas industry but feel, it is not without risk. In noting that the Isolation process is meant to involve a physical disconnection of the meter and using it administratively to remove zero consuming sites out of settlement due to COVID-19, believes this will create uncertainty, especially after changes of supply, as to whether these sites are truly isolated or not, and this could create potential safety issues. Is of the view that this risk should be reviewed if the Modification is approved and controls put in place if needed. Believes implementation should be as soon as possible after a suitable risk assessment. Is of the view that this Modification might create uncertainty as to the Isolation status of sites and raises potential safety concerns, these should be addressed prior to implementation. Is satisfied that the legal text delivers the intent of the Modification solution.
Gazprom Energy	Support	a - positive d - neutral	<ul style="list-style-type: none"> In supporting the Modification, notes that the additional volatility in UIG as a result of COVID-19 is being driven by the inability of the NDM algorithms to respond agilely to the unprecedented situation and believes this Proposal enables those sites to be removed from NDM profiling. Has not identified any significant costs associated with implementation of this Modification. Suggests that this change needs to be implemented as soon as possible owing to the continuing problem of large numbers of sites being allocated gas consumption when vacant. Provided no comments on the legal text.
ICoSS	Support	a - positive d - positive	<ul style="list-style-type: none"> In supporting the Modification agrees with the Proposer's view that many sites' not consuming gas as a result of the COVID-19 pandemic are being allocated gas through

			<p>the settlement regime, and notes that this is creating significant errors in gas settlement, as evidenced by the large UIG numbers currently being witnessed.</p> <ul style="list-style-type: none"> • Believes that a process is therefore needed to remove vacant sites from the settlement process, and that the solution proposed allows that to be done quickly and effectively by utilising existing processes. • Suggests that this change needs to be implemented as soon as possible owing to the continuing problem of large numbers of sites being allocated gas consumption when vacant. • Noted that Shippers will need to develop processes to identify sites that need to be flagged as “Isolated” and submit those requests, as well as provide suitable justification, if they wish to utilise this process. • Having reviewed the legal text, has not indicated any concerns with the drafting. • Points out that they (ICoSS) have been tracking the impact on the market from the COVID-19 pandemic and believes that there has been an overall reduction in business demand of around 20-25%, which in their opinion demonstrates the need for a quick and effective process to remove vacant sites from the balancing regime.
Major Energy Users Council	Support	a - neutral d - neutral	<ul style="list-style-type: none"> • In supporting the implementation of this Modification with some urgency, appreciates and applauds the efforts NG ESO, ET, GT, DNOs and GDNs are doing to maintain security of supply in difficult circumstances and the support suppliers are providing to vulnerable customers. • Notes that many Industrial and Commercial consumers have been forced to close as a result of the Government implementing lock down of their activity. • Observes that in addition to large single site consumers there are numerous commercial multi-site organisations, which include chains of hotels, restaurants, pubs, cafes, takeaways etc. all of whom use considerable amounts of gas, with zero consumption and no income yet they will still face 95% of their transportation charges, which are mainly based on capacity not commodity. • No comment was made in relation to the legal text.
Mineral Products Association	Comments	a - neutral d - neutral	<ul style="list-style-type: none"> • Understands the reasoning behind the proposed temporary Modification to ensure that costs for

			<p>unidentified gas (UIG) are not applied to sites that are no longer consuming gas due to temporary cessation.</p> <ul style="list-style-type: none"> • Believes that this approach is based on an assumption that there will be no increase in UIG costs per unit for business that remain operating. Businesses continuing operations are providing often essential services and so it would be counterproductive for businesses to have increased charges are a result of this operation. • Suggests that in implementing this Modification there should be assurance for wider consumers that UIG costs will not increase as a result.
National Grid NTS	Support	a - positive d - positive	<ul style="list-style-type: none"> • In supporting the Modification, recognises that the unprecedented measures implemented to address the COVID-19 pandemic has resulted in the cessation of business activities in certain sectors of the economy meaning gas consumption at some sites has ceased, or has reduced to a minimal level. Further, the measures have inhibited the ability of a Shipper to undertake the physical works necessary to facilitate submission of an Isolation request (as per UNC TPD G3.5.5) for the relevant Supply Points. • Agrees that the measures advocated by this Proposal will better facilitate relevant objectives a) efficient and economic operation of the pipeline system, and d) the securing of effective competition, on the basis that for period where government restrictions are in place, enabling Shippers to Isolate a Supply Point in absence of the completion of physical works (to cease the flow of gas) will support the facilitation of accurate allocation of energy and transportation costs. • Notes it does not need to implement any process or systems changes as a consequence so does not require any lead time for implementation. • Suggests that although not explicit in the solution, they note that the definition of “Relevant Period” (as referred to in the Legal Text section below) is only applicable in respect of LDZs and therefore we understand that the Proposer’s intention is that this facility would only be available at Supply Points connected to the Distribution Networks (i.e. not at NTS Supply Points). • Notes that where Supply Point has been Isolated, but Effective Supply Point Withdrawal has not taken place (via a Supply Point Withdrawal), the relevant Shippers remains liable for Transportation Charges at this Supply Point (UNC TPD G3.2.2 and G3.4.2), albeit NDM Supply

			<p>Points in Classes 3 and 4 will not be allocated any gas (UNC TPD G3.4.3). On this basis, any consumption at an Isolated Class 3 or 4 Supply Point will materialise in Unidentified Gas.</p> <ul style="list-style-type: none"> • Is of the opinion that it does not need to make any process or systems changes, therefore there are no implementation costs for National Grid. • Agrees that the legal text will deliver the intent of the solution but notes that the legal text does not include the definition of “Relevant Period” which sets the time limit for the applicability of the provisions. • Understand the definition intended is as contained in the legal text for Modification Proposal 0721 (‘0721’) in Transition Document Part VI Section 1. • Also understand that in the event that 0721 is not directed for implementation, this definition will be incorporated into the legal text for this Proposal. Any uncertainty over the application to NTS Supply Points (as referred to above) could be addressed by making the following clarification in Transition Document Part VI section 1.1(b) "Relevant Period" means, in respect of an LDZ only:" • Observes that in respect of the effective date of the ‘Isolated’ status, Transition Document Part VI section 4.3 could be made more explicit that it takes effect from the date this status change occurs as later in the section it is noted that this status applies for “any day in the Relevant Period”. Given that the Relevant Period commences on 23rd March 2020 it could be interpreted that the change in status would be applied retrospectively back to this date, however, understands this is not the Proposer’s intention. • Recognising that this Proposal is one of four raised to address issues created by the management of the COVID-19 pandemic, in the event of implementation National Grid would support the conduct of post-event review (undertaken at the appropriate point) to incorporate analysis of the usage of the Isolation mechanism in the Relevant Period and any impacts (adverse or otherwise) this had on settlement or other UNC processes.
Northern Gas Networks	Support	a - positive d - positive	<ul style="list-style-type: none"> • Supports the Proposal as it should further Relevant Objective a) Efficient and economic operation of the pipe-pine system by redressing some of the economic impacts

			<p>experienced due to a change in gas usage caused by COVID-19 impacts.</p> <ul style="list-style-type: none"> • Supports the introduction of a temporary use of the Isolation flag to allow Shippers to deem as isolated, sites that have ceased usage or are only using de minimis amounts, due to the restrictions in place during the COVID-19 period, will prevent these sites from receiving energy allocation and the corresponding LDZ commodity charge, whilst the deemed Isolation is in place. • Believes that the Modification also furthers Relevant Objective d) Securing of effective competition by ensuring that gas allocations are more accurately apportioned across Supply Meter Points which are actively consuming gas during the COVID-19 period. • Believes that the Proposal could be implemented as soon as Ofgem approval is received. • Points out that no required analysis or development, or ongoing costs, have been identified for NGN as a result of this proposal. • Is satisfied that the legal text delivers the intent of the Modification solution.
Npower	Comments	a - negative d - negative	<ul style="list-style-type: none"> • Understands and supports the intent of this Modification, which is to mitigate the impact of non-consuming sites, however Npower have concerns about the viability of this process and consider that it would need very careful management and could be resource intensive. • Points out that with regard to the practicality of the solution, if a site has been locked down successfully, then it will be very unlikely that Shippers could contact the customer to confirm this. So how will Shippers determine if nil consumption is a result of the lockdown and not due to other reasons? Similarly, given that we expect different industries to come out of lockdown at different times and that some may potentially cease operation entirely, the process of keeping track of the removal of these flags would be manual and overly time consuming. For this reason, Npower are concerned that this Modification does not facilitate UNC Relevant Objective a) as currently drafted. • Npower also have concerns around governance of the use of the flag. Is there potential for misuse here? For example, could Shippers use this flag to avoid Unidentified Gas (UIG) charges for sites that are still using energy, and exacerbate the problem of costs for UIG being smeared onto domestic sites. How could this

			<p>be prevented? For this reason, Npower also do not believe that this Modification facilitates UNC Relevant Objective d) as currently drafted.</p> <ul style="list-style-type: none"> • Suggests that if this Modification is implemented, Xoserve and the Performance Assurance Committee (PAC) should closely monitor and report on the number of sites impacted. Xoserve should take a snapshot of all isolated sites before the provision comes into effect and should then report weekly to PAC on the number and volume of sites which have utilised this solution. • Believes that no lead time is required, as this Modification could be implemented immediately following approval. • Has not identified any impacts and costs other than increased resource to manage use of the flag as proposed. • Provided no comment on the legal text. • Believes that the Modification should be amended to contain some kind of sunset clause whereby once Xoserve and/or PAC and/or UNC Committee declare an end to the COVID impacted period in the light of Government advice/decisions, sites which have changed status are reverted within X (20) Days. Xoserve and PAC should be given a shared formal responsibility to ensure these sites are reverted and take action against Shippers where this is not the case (albeit within the existing remit of the PAFA). • Questioned, whether the Modification could be amended to require Shippers to re-set the flag each month for COVID-19 Isolations, otherwise the flag is automatically removed, believing that this would also help remove the risk if the Shipper is delayed in removing the flag. Currently the Modification does not detail the management and monitoring of removing the flag when transition out of lockdown begins, this needs to be addressed. Otherwise, there will be an impact on Forward and Rolling Aqs in future, with an impact on demand forecasting and other processes and reporting.
Opus Energy Ltd	Support	a - positive d - positive	<ul style="list-style-type: none"> • In supporting the Modification, points out that due to restrictions under COVID-19, many sites are either not consuming gas or are using minimal volumes but are still subject to energy allocation and relevant allocated share of Unidentified Gas (UIG). • Supports the proposal to temporarily allow Shippers, under specific circumstances, to use the existing central

			<p>system process of 'Isolation flag' for certain supply points which have seen a near-complete or total reduction in gas usage due to 'lock down' restrictions from allocation, nomination and application of certain charges.</p> <ul style="list-style-type: none"> • Believes that this proposal is positive to Relevant Objectives a) and d). • Notes that the change has been granted urgent status due to the unprecedented impacts of COVID-19. Given the urgency, the proposed solution has necessitated one that has no system impacts and required process updates, and so could effectively be implemented immediately following approval. The expectation is that this proposal would be subject to close monitoring by PAB and Ofgem to ensure consistent application and development of an appropriate restoration plan, to reinstate normal industry arrangements that have been suspended or altered temporarily for the purposes of responding to COVID 19. • Believes that there will be process impacts only from a supplier perspective. Isolation flags used as a consequence of this Modification will need to be removed at the appropriate date post COVID-19, and so parties will need to maintain a record of those sites impacted so that they can easily distinguish them from genuinely isolated sites. • Believes that the legal text requires definition of Relevant Period that UNC 723 would apply for. Unclear at what stage/trigger, other than the end of the Government's COVID-19 provisions would necessitate removal of this section from the Code. • Believes that because the Isolation flags set due to restrictions under COVID-19 will need to be removed at the appropriate date post the COVID-19 period, that parties should be required to maintain an auditable record of those sites impacted so that they can easily distinguish them from genuinely isolated sites. • Points out that the PAB may need to establish working groups to ensure that any potential unintended consequences are mitigated.
Orsted	Support	a - positive d - positive	<ul style="list-style-type: none"> • In supporting the Modification, notes that the Government's restriction due to the COVID-19 pandemic has resulted in many sites, particularly businesses not consuming gas, but are being allocated gas through the settlement regime. Consequently, this creates significant

			<p>errors in gas settlement, which has resulted in large UIG numbers currently being witnessed.</p> <ul style="list-style-type: none"> • Believes that this Modification creates a process to remove sites not consuming gas due to the COVID-19 pandemic from the settlement process utilising existing system functionality and processes. • Would like to see this Modification implemented as soon as possible to enable the large numbers of sites being allocated gas consumption when not using consumption to be removed from the settlement regime. • Have not fully assessed the impacts and costs to its business but expect them to be minimal. • Is satisfied that the legal text delivers the intent of the Modification solution.
PFP Energy	Support	a - neutral d - neutral	<ul style="list-style-type: none"> • In supporting the Modification, points out that without addressing AQ in the COVID-19 period it will have unintended consequences for gas balancing and gas reconciliation. • Observes that under Section E of the UNC the daily User Daily Quantity Outputs (UDQOs) or NDM Shippers to small businesses will be overstated by the Xoserve calculation, unless such impacted Shippers can reduce the AQ downwards to reflect the actual demand. If this does not occur Shippers will be asked to put more gas into the system each day that the sites are consuming. Even if they provide a monthly meter read they will still be asked to put more gas in than the sites are consuming, and could be purchasing this at SMP buy price, and when reconciliation occurs they will get the volumes recompensed back at 30 day SAP. • Also points out that under the UNC exit close out date is the 5th day after the gas flow day and this defines the daily UDQO. The UDQO for NDM sites is determined by ones AQ and WALP (weather adjusted ALP). Normally the average daily SMP buy prices will be greater than the 30 SAP price, and this will cause such Shipper an unintended gas balancing loss that they are unable to mitigate against unless they can reduce the AQ according to the demand, which in some cases will be zero. • Believes that without this change and even if a Shipper correctly estimated its usage and inputted (bought) the buy gas required to meet its UDQO, based on better intelligence on site consumption, they would be forced by the balancing rules to purchase more to Xoserve's

			<p>UDQO, which will be driven off the AQ Xoserve hold on their system pre COVID-19 and they would purchase this at the daily system buy price. If the Shipper puts in a read, a monthly read, all the over purchased gas that the balancing rules force the Shipper to purchase would be recompensed back via the reconciliation invoice at the 30 day SAP price, thus generating unintended losses.</p>
ScottishPower	Support	a - positive d - positive	<ul style="list-style-type: none"> • Supports the principle of this Modification which will enable users to utilise the central system Isolation flag throughout COVID-19. • Seeks further clarity on what evidence would be needed to have the Isolation flag set, would this be at the request of the customer and what level of audit trail would be required e.g. written confirmation from the customer? • Also questioned what controls would be put in place to ensure when a site has an Isolation flag applied due to the COVID-19 situation, what measures would be in place following this, to correctly remove the flag? • Supports implementation as directed by Ofgem. • No Impacts and costs identified • Is satisfied that the legal text delivers the intent of the Modification solution.
SGN	Support	a - positive d - positive	<ul style="list-style-type: none"> • In supporting the Modification, provides extensively detailed explanations relating to some key common themes such as Impact of COVID-19; Alignment with Government COVID-19 Response Strategy; Lifespan of Modifications; Modification Development and Evidence Requirements (please refer to the representation for further details). • Considers the Modification furthers Relevant Objectives a) economic and efficient operation of the pipeline system and d) securing of effective competition. • Believes that the Modification enables users to reflect a significant decrease in demand, with a pragmatic amendment to the Isolation rules acknowledging that there may be some residual consumption required even if operation has ceased. • Noted that by utilising the Isolation flag, Consumers are able to exclude what is anticipated to be an exceptional period of demand from energy allocation, avoiding the creation of UIG. By excluding the period from AQ calculation, this creates more stable arrangements at the

			<p>point of re-establishment and maintains more consistent transportation capacity charging.</p> <ul style="list-style-type: none"> • Welcomes Xoserve’s intention to work with Shippers to re-establish supply points at the earliest available opportunity and would expect the PAC to undertake relevant monitoring activities. • Whilst noting that Modification 0723 applies to DM and NDM supply points, SGN are unable to quantify the likely population of isolated supply points as a result of the Modification. • Noted that the legal text has been drafted as transitional text to compliment the otherwise normal application of UNC. Given the urgent Modification timescales, the text reflects the Modifications’ business rules at a high, rather than detailed level and as such we are satisfied that the text delivers the intent of the solutions, however acknowledge that further activity beyond that defined in the text will be required to ensure successful implementation and operation of the proposed measures. • Also noted that the legal text refers to the Coronavirus Act 2020, Schedule 22. The restrictions placed upon businesses and population as defined by The Health Protection (Coronavirus, Restrictions) (England) Regulations 2020 and Health Protection (Coronavirus) (Restrictions) (Scotland) Regulations 2020 also create the trigger for potential significant changes in demand, therefore while our comments for the purposes of this response relate to the Coronavirus Act referenced by the legal text, they also apply to the initial directions issued under the Health Protection (Coronavirus, Restrictions) (England) Regulations 2020 and/or the Health Protection (Coronavirus) (Restrictions) (Scotland) Regulations 2020 enacted on 26th March 2020 • Noted that given the intention for the Modifications to provide rapid and pragmatic relief from COVID-19 related challenges, SGN welcome Ofgem’s intention to issue a decision on 1st May 2020 and anticipate implementation will follow as soon as reasonably practicable.
Total Gas & Power	Support	a - positive d - positive	<ul style="list-style-type: none"> • In supporting the Modification believe this offers a sensible and quick solution to issues with abnormal load behaviours during the COVID-19 pandemic. • Supports implementation as soon as possible. • Have not identified any impacts or costs associated with implementation of the Modification.

			<ul style="list-style-type: none"> • Noted that the Legal text has not been reviewed.
Utilita Energy Ltd	Support	<p>a - positive d - positive</p>	<ul style="list-style-type: none"> • Supports the Modification on the grounds that it will provide more accurate allocation across the industry. • Believes that the change will not require a significant lead time to implement. • Anticipates minimal costs for development. • Is satisfied that the legal text delivers the intent of the Modification solution. • Points out that these temporary measures are mentioned as being in place for the 'COVID-19 period', will this be left to UNC to determine and advise parties on when this period is over and the temporary measures are no longer in place? It leaves room for confusion and disparity between industry, should Shippers need to determine this themselves based on Government advice.
Wales & West Utilities	Support	<p>a - positive d - neutral</p>	<ul style="list-style-type: none"> • Agrees that allowing sites to declare themselves isolated when they have not undertaken the necessary works is an appropriate exceptional short-term measure during the COVID-19 period, as this will allow those sites that have zero or virtually zero consumption to stop having energy allocated to them and also not pay commodity transportation charges for that period. It is also available to Shippers immediately following implementation. This furthers Relevant Objective a) Efficient and Economic Operation of the pipeline system. • Supports implementation immediately following an Authority direction. • Notes that we will be largely unaffected because commodity transportation revenue is very small compared to capacity transportation revenue. • Notes that the legal text provides in Transition Document VI 4.5 that where a site has been using gas while it has been declared as isolated then it will be treated as having been re- established from the date when it started using gas above the minimum level and this is an important protection. As a consequence, Wales & West Utilities will expect the Performance Assurance Committee to monitor the use of this provision. • Are aware that NGN are continuing discussions with the legal text provider regarding which legislation should be the referenced.

			<ul style="list-style-type: none"> • Wales & West Utilities acknowledge their appreciation to Northern Gas Networks for delivering the legal text in very short timescales. • Notes that one response to the consultations expressed support for the four Urgent Modifications on the basis that they would reduce transportation charges. However, as described above Wales & West Utilities remain of the opinion that this Modification will not decrease transportation charges by an appreciable amount but will allow Shippers for Class 3 and 4 sites to stop the allocation of gas to certain premises that are not using gas in the COVID-19 period.
Xoserve	Comments	a - neutral d - neutral	<ul style="list-style-type: none"> • Is encouraged to see the industry working together so positively in a short period of time to develop constructive solutions at this unique time. • Points out that these Modifications rely upon use of existing processes in order to minimise system changes to all industry parties and to ensure that the challenging timescales necessary for the industry response can be met. • Would encourage Users to ensure that they are familiar with the way that UK Link Communications are to be submitted in order to make use of this capability afforded by these Modifications. • Points out that Xoserve are proposing a workshop to support Users which will run on 29th and again on 30th to support Users in this way. • Would encourage all Users to contact their Customer Advocate to support the CDSP in understanding and preparing for the volumes anticipated through each process. • Notes that Unidentified Gas (UIG) is currently very volatile, and that a major contributor is likely to be the unexpected demand patterns amongst Non-Daily Metered sites. • Are aware that the use of the Isolations Flag for sites still consuming a de minimis quantity of gas and any inaccuracy in the revised AQs or estimated readings submitted by Shippers could also contribute to daily UIG. In all cases the next true actual meter reading will cause a Meter Point Reconciliation which would also correct the UIG position.

Please note that late submitted representations will be included on a best endeavours basis 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

The Panel Chair summarised that this Modification seeks to enable Shipper Users to utilise the central systems Isolation flag, under specific circumstance, without warranted activities taking place, during the COVID-19 period.

This Modification allows for sites where businesses have closed due to the COVID-19 response to be excluded from the AQ calculation, and therefore from UIG allocation during the relevant period.

Panel Members noted that of the 24 representations received 19 supported implementation, 3 provided comments and 2 were not in support.

Panel Members agreed that many sites currently not consuming gas as a result of the COVID-19 pandemic, are being allocated gas through the settlement regime. Panel Members noted that this is creating significant errors in gas settlement, as evidenced by the large UIG numbers currently being witnessed by industry participants. Allowing Shippers to flag non consuming sites as isolated, should help to reduce these UIG swings.

Panel Members noted that the additional volatility in UIG as a direct impact of the COVID-19 measures on impacted sites is being driven by the inability of the NDM algorithms to respond agilely to this unprecedented situation and this Modification should allow those sites to be removed from NDM profiling.

Panel Members agreed that this Modification enables Shippers to reflect a significant decrease in demand, with a pragmatic and short-term amendment to the Isolation rules, acknowledging that there may be some residual consumption even if site operation has ceased.

Panel Members noted the concerns raised in representations that the changes introduced by this Modification might also introduce additional settlement risks that need mitigation through an effective control framework. This is on the grounds that if Isolation flags are applied to sites with no physical Isolation measures in place, they are not allocated UIG. Without physical Isolation in place, these Supply Meter Points may still consume gas, and therefore contribute to UIG which will be apportioned to the rest of the market.

Panel Members noted that any additional Performance Assurance Committee (PAC) reporting required to understand the impacts of implementation, would require an extension to the PAC Performance Assurance Reports Register (PARR) reporting pack before effective monitoring could be undertaken.

A Panel Member stated that if PAC PARR amendments were required, these should be sent to DSC Contract where approval should be sought.

Panel Members also noted that the Modification requires the Isolation flag to be removed at the end of COVID-19 period or when consumption resumes, and this should be of interest to the PAC and their consideration of the impacts of this Modification.

Although not directly impacting this Modification, A Panel Member noted that this Modification does not benefit customers in the Daily Metered market sector and that it would be beneficial to all consumers if COVID-19 impacts were considered and responded to quickly for this market sector.

Consideration of the Relevant Objectives

Panel Members considered the Relevant Objectives and agreed that this Modification should further **Relevant Objective a) Efficient and economic operation of the pipe-line system** as this Modification seeks to redress some of the economic impacts that this change is having across wider industry and end consumers, where their change in consumption behaviour is a direct response to the measures set out in the Corona Virus Act 2020.

In addition, by correctly apportioning gas allocations across consuming Supply Meter Points, this Modification should support the maintenance of competition in the relevant consumer markets between Shippers and Suppliers and therefore further **Relevant Objective d) Securing of effective competition**.

Determinations

Members **voted unanimously to recommend the implementation** of Modification 0723 (Urgent).

12 Recommendations

Panel Recommendation

Panel Members recommended:

- that Modification 0723 (Urgent) **should be implemented**.