

UNC Final Modification Report	At what stage is this document in the process?
<h1>UNC 0625:</h1> <h2>Extension of 4 months to 10 months to transfer non-mandatory sites from Class 1</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 8px;">01</span> Modification         </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 8px;">02</span> Workgroup Report         </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 8px;">03</span> Draft Modification Report         </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 8px;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b></p> <p>This modification proposes to extend the current <b>6 month</b> deadline for moving non mandatory DM sites from Class 1 to <b>10 months</b> to address delays caused by ongoing issues relating to Class 1 sites following NEXUS Go Live thus allowing for an orderly transfer of arrangements</p>	
	<p>Panel does not recommend implementation.</p>
	<p>High Impact: Shipper Users</p>
	<p>Medium Impact: Transporters and CDSP</p>
	<p>Low Impact: None</p>

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## 1 Summary

### What

As part of the Project Nexus Solution it was agreed that Class 1 sites would include only Mandatory Daily Metered (DM) Supply Points i.e. Supply Points with an Annual Quantity (AQ) that is greater than 58,600,000kWh (2 million Therms) per annum.

DM Supply Points with an AQ of less than 58,600,000kWh (2 million Therms) per annum were migrated into Class 1 and are currently required to transfer to another Class within 6 months of NEXUS Go Live.

This means that under the current arrangements non mandatory DM sites will need to be migrated from Class 1 by 1<sup>st</sup> December 2017. Failure to proactively move sites ahead of this deadline will mean these sites default into Class 4.

### Why

The 6 month soft landing was agreed on the basis that the transfer to post NEXUS arrangements would be reasonably straightforward. This was based on the fact that the existing DM arrangements would be “lifted and shifted” from legacy arrangements and that the pre-existing unbundled DM Read Services would not be subject to any disruption.

However, post NEXUS Go Live the industry has experienced significant volatility with the Unidentified Gas (UIG) energy smearing. Large numbers of DM reads, which hitherto have been successfully loading in the Legacy Environment have been rejected when the monopoly DM Service Providers (DMSP) have submitted data into Central Systems. Further analysis has identified that changes in data item validation has led to large numbers of these DM reads being rejected by Central Systems.

Xoserve have now proactively taken steps to help address these issues and work is ongoing to facilitate normal operation.

However, this disruption has meant that Shippers projects for arranging and scheduling the transfer of Supply Points away from Class 1 have been delayed.

It should also be noted that all Supply Points with an Annual Quantity (AQ) in excess of 732,000kWh (25,000 Therms) must be advanced and so irrelevant to which Class a Supply Point transfers the vast majority will require the installation of a suitable advanced meter

The latest information from Xoserve is that the plan commenced in August-17 resolved some of the issues, however it is likely a number of more complex issues will take longer to complete. Based on this latest information an additional 4 month extension to arrange the transfer of sites out of Class 1 would be prudent when taking into account the time taken to remedy the issues and that the extension proposed will include the Christmas and New Year which will impact access to larger commercial sites affected by the issue.

### How

It is proposed that the Transition Document Part IIF – Nexus Implementation is amended to replace the current 6 month deadline with 10 months.

## 2 Governance

### Justification for Self-Governance, Authority Direction or Urgency

Panel determined the modification is likely to have a material effect on either existing or future gas consumers because it extends the existing transitional arrangements for DMV consumers who are currently in Class 1 and which should be reclassified as Class 2, 3 or 4 sites. This is likely to have a transitional effect on competition between Shippers as it is likely impact the allocation of unidentified gas.

Modification 0625 will therefore follow Authority Direction procedures.

### Requested Next Steps

This modification should:

- be considered a material change and not subject to self-governance
- proceed to Consultation

There was no overall consensus within the Workgroup when they were asked to consider the materiality of this modification and if it should continue to follow Authority direction. However, the Workgroup recommends that if this modification is issued to consultation, Panel requests respondents to consider the materiality of the proposed modification and provide evidence (where available) to demonstrate the potential impacts should it be implemented. Following consideration of representations, it is recommended that Panel test the materiality of the modification against the self-governance criteria, prior to making a recommendation/determination on the Final Modification Report.

## 3 Why Change?

As part of the Project Nexus Solution it was agreed that Class 1 sites would include only Mandatory Daily Metered (DM) Supply Points i.e. Supply Points with an Annual Quantity (AQ) is greater than 58,600,000kWh (2 million Therms) per annum. DM Supply Points with an AQ of less than 58,600,000kWh (2 million Therms) per annum were migrated into Class 1 and then are currently required to transfer to another Class within 6 months of NEXUS Go Live. This means that under the current arrangements non mandatory DM sites will need to be migrated from Class 1 by 1<sup>st</sup> December 2017. Failure to proactively move sites ahead of this deadline will mean these sites default into Class 4.

The 6 month soft landing was agreed on the basis that the transfer to post NEXUS arrangements would be reasonably straightforward. This was based on the fact that the existing DM arrangements would be “lifted and shifted” from legacy arrangements and that the pre-existing unbundled DM Read Services would not be subject to any disruption.

However, post NEXUS Go Live the industry has experienced significant volatility with the Unidentified Gas (UG) energy smearing. Large numbers of DM reads which hitherto have been successfully loading in the Legacy Environment have been rejected when the monopoly DM Service Providers (DMSP) have submitted data into Central Systems. Further analysis has identified that changes in data item validation has led to large numbers of these DM reads being rejected by Central Systems.

Xoserve have now proactively taken steps to help address these issues and work is ongoing to facilitate normal operation.

However, this disruption has meant that Shippers projects for arranging and scheduling the transfer of Supply Points away from Class 1 have been delayed. Shippers had intended to undertake an orderly

transfer of arrangements during the 6 month period from NEXUS Go Live however due to the problems encountered with the DM arrangements parties have instead been focused on fixing the current arrangements to enable DM reads to successfully load in the post NEXUS arrangements.

It is prudent that making changes to existing arrangements can only commence once these issues have been successfully addressed. This has impacted on putting in place third party services and scheduling the replacement of in-situ DM Reading equipment with competitive Automated Meter Reading Equipment.

For the avoidance of doubt this modification will not affect parties' ability to transfer arrangements ahead of the deadline.

## 4 Code Specific Matters

### Reference Documents

None identified.

### Knowledge/Skills

No specific skills or knowledge are necessary.

## 5 Solution

It is proposed that the Transition Document Part IIF – Nexus Implementation is amended to replace the current 6 month deadline with 10 months.

Suggested Legal Text has been provided in section 9 below.

## 6 Impacts & Other Considerations

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

No impact.

### Consumer Impacts

Some consider this modification should support the orderly migration of non-mandatory DM Class 1 sites and reduce the risk of large number of sites automatically defaulting into Class 4 due to time constraints around scheduling and installing third party Automated Meter Reading (AMR) solutions, required to enable Class 2 & 3 choices, following completing the remedial work arising from NEXUS implementation. This would prevent Shippers from nominating directly into Gemini, this might impact their final daily position and impact Shipper/Consumer contracts. However, some consider this is a Shipper settlement issue and would not directly impact consumers.

Some consider this modification should ensure that the process of replacing meter reading equipment at Consumers sites can be facilitated in a timely fashion and not undertaken in a time constrained manner and at times which might inconvenience a consumer.

From a broader industry perspective, the automatic transfer of existing DM sites to Class 4 (NDM) is likely to reduce the level of accuracy in the daily allocation of unidentified gas (UIG), as it will remove large

volumes of DM read information from the market. However, some consider this is a Shipper settlement issue and would not directly impact consumers.

<b>Consumer Impact Assessment</b>	
<b>Criteria</b>	<b>Extent of Impact</b>
Which Consumer groups are affected?	<ul style="list-style-type: none"> <li>• Domestic Consumers</li> <li>• Small non-domestic Consumers</li> <li>• Large non-domestic Consumers</li> <li>• Very Large Consumers</li> </ul>
What costs or benefits will pass through to them?	Some consider this change should allow the orderly transfer of DMV sites into Class 2 following consideration of Post Nexus implementation issues; and should ensure consumers are not unnecessarily impacted by being unnecessarily placed into Class 4 due to an unachievable transition date. However, some consider this is a Shipper settlement issue and would not directly impact consumers.
When will these costs/benefits impact upon consumers?	These impacts would be effective on the date the modification is implemented.
Are there any other Consumer Impacts?	None identified.

### **Cross Code Impacts**

No impacts identified.

### **EU Code Impacts**

No impacts identified.

### **Central Systems Impacts**

No impacts identified.

### **Workgroup Impact Assessment**

Some consider this modification would impact the UIG allocation between different Product Classes as it would delay the transfer of DMV sites from Product Class 1 to other Product Classes, this is due to the UIG allocation for Product Class 1 being proportionally lower than for other Product Classes. This could be considered detrimental to Shippers who have no DMV sites and would be a benefit to those Shippers who have a DMV site with a positive UIG allocation. However, others felt this impact should not be considered material as the overall allocation of UIG would not be significantly impacted by this modification.

Some consider this change has been proposed for the operational benefit of DMV Shippers who would be allowed more time to resolve the transfer of DMV sites from Product Class 1 to other Product Classes, thereby gaining a financial benefit. Whereas others felt the issues were unforeseen following Nexus implementation, which DMV Shippers are attempting to resolve for the benefit of the wider industry and is a significant impact on available resources.

## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Impacted
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

Some participants consider this modification should support the orderly migration of non-mandatory DM Product Class 1 sites and reduce the risk of large number of sites automatically defaulting into Product Class 4, due to time constraints around scheduling and installing third party AMR solutions required to enable Class 2 & 3 choices, following completing the remedial work arising from NEXUS implementation. An orderly transition should allow Shippers the opportunity to utilise competitive DM services and therefore further relevant objective d) by securing effective competition.

However, some felt that as the changes proposed would allow DMV sites to continue to receive the proportionally lower UIG associated with Product Class 1 sites, rather than that associated with other Product Classes. These UIG costs would then be allocated to other Shippers which might have a negative impact on competition.

Some participants considered this modification would further relevant objective f), as it would facilitate the orderly transfer of DMV sites from Product Class 1 to another Product Class by allowing parties more time to correct the current issues with the DM read submission process following Nexus implementation; and then for them to arrange for the replacement of Transporter daily read equipment.

## 8 Implementation

No implementation date is proposed. However, it is anticipated that implementation would occur prior to expiry of transitional period for the transfer of DMV sites from Product Class 1 which is currently set as 01 December 2017.

## 9 Legal Text

Suggested Text has been provided by the proposer and is included below. The Workgroup has considered the Suggested Text and is satisfied that it meets the intent of the Solution.

Scotia Gas Networks has confirmed that they intend to adopt the Suggested Text provided.

Scotia Gas Networks confirmed adoption of the legal text by email on 06 October 2017.

### Text Commentary

The legal text has the effect of amending the deadline for the transfer of sites currently in Class 1 but who do not meet the Class 1 Requirement under TPD Section G 1.5.3, from six months to ten months.

### Text

#### Uniform Network Code – Transition Document Part IIF – Nexus Implementation

*Amend paragraph 5.2.2 to read as follows:*

#### 5.2 Classes of Supply Point

5.2.2 In respect of each Supply Meter Point which on the Last Pre-Nexus Day is classified as a DM Supply Meter Point with Transporter Daily Read Equipment installed pursuant to an election by the Registered User:

- (a) subject to paragraph (b), with effect from the Implementation Date, the Supply Meter Point shall be in Class 1;
- (b) unless by the date falling ~~six (6)~~ ten (10) months after the Implementation Date (“**relevant date**”) the Supply Point:
  - (i) becomes in Class 1 because the Class 1 Requirement applies; or
  - (ii) is re-classified as Class 2, 3 or 4 pursuant to an election by the Registered User, the Supply Meter Point shall be re-classified in Class 4 with effect from a date, no later than one (1) month after the relevant date, determined by the CDSP.

## 10 Consultation

Panel invited representations from interested parties on 19 October 2017. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 8 representations received 3 supported implementation, 3 were not in support and 2 provided comments.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Cadent	Comments	No views provided	<ul style="list-style-type: none"> <li>Notes that the removal of the DMV category of Supply Point was first proposed in 2011, has been the subject of 3 UNC Modifications, each of which was approved by Ofgem and implemented.</li> <li>Questions whether a further extension, as proposed by this modification, is justified fearing that once the latest transition period expires a further modification may appear.</li> <li>Recognises that Unidentified Gas (UIG) is a major industry concern and a priority. Therefore, on this occasion is prepared to accept that the requirement for change should this Modification not be implemented may serve as a distraction to resolving the immediate issue.</li> <li>Implementation can be with immediate effect.</li> </ul>
Corona Energy	Support	d) - positive	<ul style="list-style-type: none"> <li>Supports any initiative that seeks to maintain current levels of accuracy, as it reduces the levels of settlement error that are smeared to suppliers via Unidentified Gas.</li> <li>Proposes that if the current deadline is not extended this effort to fix existing issues will be penalised with suppliers having to move sites from Class 1 to Class 4 and then to Class 2 to maintain daily read status.</li> <li>Will not incur any substantial costs by extending the existing regime. By allowing a suitable lead-time to move those affected sites to Class 2, this will reduce the cost and inconvenience in doing so; if these sites are forced to default to Class 4, significantly more costs will be incurred by moving the site from Class 1 to Class 4 to Class 2 in rapid succession.</li> </ul>
Engie	Support	d) - negative	<ul style="list-style-type: none"> <li>Allows for more time for contractual frameworks to develop across the industry for the provision of non-DMSP daily reads, as these are not fully in place at present.</li> <li>Believes that this modification accommodates the extended contracting timescales associated with the requirement (identified by engagement to date with the market-leading potential provider of these services) for data loggers at sites to be exchanged in order for the</li> </ul>

			<p>service to commence – this will lead to increased contractual complexity due to the associated health and safety concerns around site visits and physical works.</p> <ul style="list-style-type: none"> <li>• Enables resolution of the current uncertainty as to whether the existing DMSP read service will continue to be available after the change of class, therefore minimising the risk of discontinuity of read collection if there is a disconnect between the change of class effective date and the installation of the new data logger.</li> <li>• Avoids disruption to the current industry investigation into the effects of the Project Nexus changes on Unidentified Gas that may arise from the increased data collection issues that could occur if sites were to be migrated to Class 2 to in order to meet a regulatory deadline with inadequate continuity of read provision in place (due to the necessity for a data logger exchange).</li> <li>• Permits time for adequate customer communication as the requirement to exchange data logger assets makes customer engagement more critical to the success of the class change than otherwise would have been the case.</li> <li>• Facilitates further industry communication and engagement on the benefits case for the change from a customer perspective as is necessary to support 5 above.</li> <li>• Implementation should be as soon as possible.</li> </ul>
Gazprom	Support	d) - positive	<ul style="list-style-type: none"> <li>• The industry expected DM supply points, which have monopoly data services provided by Transporters, to migrate seamlessly into Class 1. Thus, providing a 6-month soft landing to transfer those existing DM sites which are not Mandatory Class 1 sites to another class seemed reasonable. However, the industry has been beset with a number of Class 1 migration issues which has taken up a considerable amount of industry time and resource to manage. Recognising these issues, it seems prudent to extend the existing window by 4 months to recognise these problems.</li> <li>• Implementation as soon as possible.</li> </ul>
Northern Gas Networks	Oppose	f) - negative	<ul style="list-style-type: none"> <li>• Does not support this modification as it is felt sufficient time has been provided to allow for planning of, and undertaking of the transition of voluntary sites from Class 1 to the appropriate Class of 2, 3 or 4; particularly with the original extension of the Daily Metered Service provided by Transporters of Nexus go-live plus 6 months. Shippers indicated in their consultation responses for the original extension Modification 0514 that there would be no additional system development or costs associated with the extension that were outside of their already planned Project Nexus costs, as well as confirming support for the proposed timescales.</li> <li>• Transporters also highlighted in their responses that they expected prompt action from Shippers regarding the transition and that it should not be left to Transporters to transfer a large volume of sites to Class 4 at the end of the transitional period.</li> </ul>

			<ul style="list-style-type: none"> <li>Does not feel that approval of this modification would further Relevant Objective f) Promotion of efficiency in the implementation and administration of the code as prudent and reasonable planning in the transition to Project Nexus go-live provided sufficient time for the 6-month transition arrangements to be adequately provided for.</li> <li>If this is approved, prefer implementation as soon as possible.</li> <li>Modification should be considered as suitable for Self-Governance.</li> </ul>
ScottishPower	Oppose	d) - negative	<ul style="list-style-type: none"> <li>Since the introduction of Project Nexus, there have been on-going problems with some DM sites loading readings into the settlement system, which is contributing to Unidentified Gas (UIG). Up and until 1st October 2017 there was no UIG at all attributed to sites in Class 1 and therefore arguably no incentive on Shippers to address the issues with these DM sites.</li> <li>Further there was limited incentive to address the issues from 1st October 2017, as Class 1 UIG values from that time are much less than in all other Product Classes.</li> <li>Has sympathy with some of the sentiment of this proposal, however does not agree that further time is needed to allow Shippers to migrate their sites to Class 2. Indeed it has been signalled for a number of years that Shippers would have to move their sites to Class 2, and have the necessary equipment in place, or face the outcome of their sites being moved to Class 4.</li> <li>Understand the premise of moving the sites to Class 4 was to incentivise DM voluntary sites to migrate to Class 2 as soon as possible, the incentive being the higher allocation of UIG to Class 4. At the present time the DM voluntary sites residing in Class 1 are enjoying a UIG factor of 0.0118, which is the lowest value of UIG applicable in the post-Nexus. When considering the values in Class 2, where these sites should be settled, in the main the values range from 2.187 to 5.494 (EUC band 9 does mirror the 0.0118 value, but is one of only 9 values) 2. Information from Xoserve shows that there are only 3 sites that are DM voluntary in band 9 (out of 779 sites).</li> <li>If this proposal is implemented then there will be continued benefits to all 779 sites, which are voluntary daily metered, whether they were affected by issues or not. From information provide by Xoserve there are only 25 sites which are voluntary daily metered and are still sitting in “pot 1” of the DM issues list.</li> <li>In addition there would be a significant distortion to UIG, with all 779 DM voluntary sites picking up the lowest 0.0118 factor and ultimately all other Product Classes picking up the mis-allocation of UIG. This modification is detrimental to competition and to Relevant Objective (d).</li> </ul>
SSE	Oppose	d) - negative	<ul style="list-style-type: none"> <li>Does not support this modification as it creates a perverse incentive for shippers not to move sites from</li> </ul>

			<p>Class 1 to Class 2 in order to avoid the correct allocation of UIG.</p> <ul style="list-style-type: none"> <li>Does not see the case that moving the sites from Class 1 to Class 4 for a period of time would have a negative impact on settlement, given that these sites could be placed into Class 4 in any case.</li> <li>There is a strong case to put any site into Class 4 from Class 1 that are failing to send in daily reads, as Class 4 will, on the whole, give better daily estimates for settlement allocation purpose as the sites' consumption will be estimated based on their profiled AQ values rather than being based on D-7 estimates rolling forward, which are less accurate and which this modification will have the effect of continuing to generate if implemented. For sites that are getting actual daily reads into settlement, which would be less accurate in Class 4, there is no reason why these sites cannot be nominated into Class 2 by shippers.</li> <li>Does not see why, because there are issues in resolving DM issues, some of which are of shippers' own making, that transferring sites to Class 2, which is a separate process, could not be done. Many sites will have been loading actual reads very soon after the implementation of Project Nexus and it seems that there has been very little effort in transferring any of these into Class 2 despite 5 months now having elapsed.</li> <li>There is an element within this modification of rewarding failure as allowing sites to remain in Class 1 will allow them to avoid a significant element of UIG during the winter months which will be passed on to other shippers.</li> </ul>
<p>Wales &amp; West Utilities</p>	<p>Comments</p>	<p>d) - none</p>	<ul style="list-style-type: none"> <li>Notes that the industry has been trying to provide an alternative to and then remove what was previously known as DM Voluntary (DMV) for a number of years and therefore it is disappointing that this may be further delayed.</li> <li>Is not entirely clear whether the lack of migration of DMV sites is due to technical issues or Shipper related resource issues and without this clarity it is difficult to form a view on whether this modification should be implemented.</li> <li>Notes that although there are still some Class 1 sites where there are read problems nearly 90% of reads submitted for these sites are successfully loading into UK Link and so there is scope for some at least of the DMV sites to migrate. To date 8 DMV sites have migrated on WWU's network.</li> <li>There may be an argument for an extension if a clear case has been made as to why there is an industry benefit for the diversion of resource. If there are only company benefits from diversion of resource it is not clear that an extension is justified.</li> <li>Notes that the removal of what was called DM Voluntary or DMV in pre-Nexus terms has been intended for several years but has been postponed on several occasions.</li> </ul>

			<ul style="list-style-type: none"> <li>• Modification 0345 proposed a phased removal of the DMV service between 1<sup>st</sup> April 2014 and 1<sup>st</sup> October 2014 was implemented on 1<sup>st</sup> October 2013 following a direction letter from Ofgem published on 16<sup>th</sup> December 2011.</li> <li>• Modification 0441 proposed to continue the DMV service until Project Nexus go live was implemented on 1<sup>st</sup> October 2013.</li> <li>• Modification 0514 then extended the provision of the DMV service to Project Nexus implementation date plus 6 months (the end of November 2017) because evidence emerged that transition around Nexus go live would be difficult.</li> <li>• Therefore, there is concern that there is a history of delay in the removal of the DMV and are concerned that if this modification is implemented then a further modification will be raised extending the service for another period.</li> </ul>
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Responding parties were also requested to address the following question in their representations.

*Q1: Respondents are asked to consider the materiality of the proposed modification and provide evidence (where available) to demonstrate the potential impacts, should it be implemented.*

Organisation	Key Points
Engie	<ul style="list-style-type: none"> <li>• Do not see this modification as being of high materiality. The delay will allow for a more efficient and cost effective implementation of the modification with less disruption to end consumers and industry settlement.</li> </ul>
Gazprom	<ul style="list-style-type: none"> <li>• It has been noted that the number of sites which will be required to transfer from Class 1 represent circa 13 TWh of energy. Moving this energy from a Mandatory DM Class to another class in an uncontrolled manner risks adding even more energy into UIG in the form of additional NDM energy.</li> </ul>
ScottishPower	<ul style="list-style-type: none"> <li>• Please refer to the representation.</li> </ul>
Wales & West Utilities	<ul style="list-style-type: none"> <li>• Is only able to comment on materiality on the basis of the number of sites. WWU has around 70 and, although some of these sites may be large, cannot see that on the basis of numbers the impact of requiring them to move to another Class is material to competition.</li> </ul>

*Q2: Following consideration of representations, it is recommended that Panel test the materiality of the modification against the self-governance criteria, prior to making a recommendation/determination on the Final Modification Report.*

Gazprom	<ul style="list-style-type: none"> <li>• Believes that circa 13 TWh of energy is material.</li> </ul>
ScottishPower	<ul style="list-style-type: none"> <li>• Does not meet the criteria of self-governance, as the proposal is likely to have a material impact on Shippers and accurate allocation of costs (UIG) across the market.</li> </ul>
SSE	<ul style="list-style-type: none"> <li>• Agrees that this modification does not meet the self-governance criteria as implementation will impact the UIG allocations and so will have a commercial impact on all shippers that are subject to UIG in each LDZ.</li> </ul>

Wales & West Utilities	<ul style="list-style-type: none"> <li>On the evidence available, believes that this modification satisfies the self-governance criteria.</li> </ul>
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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

The Panel Chair summarised that this modification proposes to extend the current **6 month** deadline for moving non mandatory DM sites from Class 1 to **10 months** in an aim to address delays caused by ongoing issues relating to Class 1 sites following NEXUS Go Live thus allowing for an orderly transfer of arrangements.

Panel Members considered the representations made noting that, of the 8 representations received 3 supported implementation, 3 did not support and 2 provided comments. Panel Members noted that 1 late representation was received which did not support implementation.

One panel member drew attention to a data set provided in one of the representations.

A number of Panel Members agreed with the Proposer view that the industry expected DM supply points to migrate seamlessly into Class 1. Thus, providing a 6-month soft landing to transfer those existing DM sites which are not Mandatory Class 1 sites to another class seemed reasonable. However, the industry has been beset with a number of Class 1 data migration issues which has taken up a considerable amount of industry time and resource to manage and would support extending the existing window by 4 months to recognise these problems.

A number of Panel Members consider that this modification would impact the UIG allocation between different Classes as it would delay the transfer of DMV sites from Class 1 to another more appropriate Class or Class 4 by default. This could be considered detrimental to Shippers who have no DMV sites and would be a benefit to those Shippers who have a DMV site with a positive UIG allocation.

During the discussion, some Panel Members noted that there may be potential for consumers to be negatively impacted due to inconsistent class allocations and logistical issues relating to meter reading equipment replacements.

### Consideration of the Relevant Objectives

Some Panel Members agreed with representations that this modification would support the orderly migration of non-mandatory DM Product Class 1 sites and reduce the risk of large number of sites automatically defaulting into Product Class 4, due to time constraints around scheduling and installing third party AMR solutions required to enable Class 2 & 3 choices, following completing the remedial work arising from NEXUS implementation. An orderly transition should allow Shippers the opportunity to utilise competitive DM services and therefore further relevant objective d) by securing effective competition.

However, other Panel Members disagreed with this view and offered the opinion that as the changes proposed would allow DMV sites to continue to receive the proportionally lower UIG associated with Product Class 1 sites, rather than that associated with other Product Classes. These UIG costs would then be allocated to other Shippers which might have a negative impact on competition.

Some Panel Members considered this modification would have a negative impact on Relevant Objective f) Promotion of efficiency in the implementation and administration of the code, as prudent and reasonable planning in the transition to Project Nexus go-live provided sufficient time for the 6-month transition arrangements to be adequately provided for and this would be extending a transitional window with no overall benefit to the administration of Code.

## Determinations

Panel Members voted with 4 votes in favour of implementation (out of a possible 12), therefore Panel did not agree to recommend implementation of Modification 0625.

## 12 Recommendations

### Panel Recommendation

Members recommended that Modification 0625 **should not be implemented**.