













UNC Request	At what stage is this document in the process?
<h1>UNC 0706R V2.0:</h1> <h2>Operational arrangements when a Shipper terminates a Shipping agreement with a Supplier</h2>	<div>01 Request</div> <div>02 Workgroup Report</div> <div>03 Final Modification Report</div>
<p><b>Purpose of Request:</b></p> <p>A review of the processes and obligations within the UNC to identify and enable a clear route for the Shipper to cease shipping gas for specific supply points linked to premises supplied by a specific supplier following the termination of a contractual relationship between a shipper and that supplier.</p>	
	<p>The Proposer recommends that this request should be assessed by a Workgroup</p> <p>This request will be presented by the Proposer to the Panel on 19 December 2019.</p>
	<p>High Impact:</p> <p>Shippers</p> <p>Suppliers</p>
	<p>Medium Impact:</p> <p>CDSP</p>
	<p>Low Impact:</p> <p>Gas Transporters</p>

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3	Terms of Reference	8	 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
4	Recommendation	8	 0121 288 2107
About this document:			Proposer: <b>Chris Hooper</b> <b>Contract Natural Gas</b>
This document is a Request, which will be presented by the Proposer to the panel on 19 December 2019.			 <a href="mailto:chooper@cngltd.co.uk">chooper@cngltd.co.uk</a>
The Panel will consider the Proposer's recommendation and agree whether this Request should be referred to a Workgroup for review.			 07841 446 444
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# 1 Request

## Why is the Request being made?

At present there are instances where a Shipper provides wholesale gas shipping services on behalf of an independent supplier via a contractual and commercial agreement. All of the obligations within the UNC are on the Shipper party as presently suppliers are not required to accede to the UNC. Whilst a lot of legislation is aimed at and led by suppliers, as a result of the above, UNC obligations are placed with the Shipper who, in the case of shipping for an independent supplier, passes these on to the supplier through a contractual agreement. The difficulty arises where suppliers are in breach of the contract because the UNC; as it is currently drafted, effectively makes it impossible for the Shipper to take any action.

Presently the legal text within the UNC sets out a limited set of circumstances for a Shipper to cease being responsible for specific Supply Points. In the case where a Shipper seeks to exit a commercial agreement should the supplier party be found in breach of the same, the Shipper's obligations persist.

Whilst there is not an explicit provision that advises Shippers have no option but to ship gas regardless of whether there is an active contract in place with a supplier, we believe the following sections have the provisions, which when taken together, have that effect:

- **Section C - Nominations** - Section 1.5 - NG NTS creates the aggregated daily demand for all registered supply points for a shipper (demand is calculated as set out in section H). This leads into the operational obligations for supplying gas into the network and for balancing in **Sections D, E and F**.
- **Section G - Supply Points** - has the rules for registering a supply point to a User. In particular, paragraph 1.2 places responsibility for the offtake of gas at each registered supply point, whether or not authorised by the User.
- **Part 3 of section G** sets out the rules for withdrawing or isolating a supply point - in effect a user's responsibility only stops when another User takes over responsibility for the supply point or the supply point is isolated.

Supply Licence Condition 18. *Undertakings to Relevant Gas Transporters* requires all suppliers to agree an undertaking with the Relevant Gas Transporter should arrangements between the transporter and a Gas Shipper to convey gas to any premises supplied by the licensee come to an end.

Whilst SLC 18 can address commercial elements of a Shipper terminating an agreement with a supplier, there is no provision within the UNC for the operational shipping requirements in these instances – and the incumbent Shipper is currently unable to cease providing the operational shipping requirements. Therefore, the UNC is currently unable to manage a legitimate commercial situation between Shippers and suppliers.

It is our understanding that the only existing scenarios whereby arrangements between a transporter and a Gas Shipper to convey gas to any premises supplied by the licensee come to an end are:

- When the arrangements are transferred to another Gas Shipper e.g. under Supplier of Last Resort (SoLR); or;
- The Gas Shipper is in financial failure and can no longer provide for the conveyance of gas to its entire portfolio

The UNC needs to recognise the commercial reality that shipping arrangements may be terminated between shippers and suppliers in instances other than SoLR and provide arrangements for handling these situations. At present it does not do this.

## Scope

Limited to the impacts of the UNC on the termination of a bilateral contractual relationship between a Shipper and an 'Independent Supplier'.

## Impacts & Costs

To be identified by the Workgroup

## Recommendations

The Legal Text within the UNC needs to set out the arrangements that apply when a Shipper terminates a contractual agreement with a Supplier and alternative Shipping arrangements are not automatically put in place by the Supplier.

## Additional Information

Included below are some case studies and examples of impacts of this issue on industry parties:

### 1. Example of contractual negotiations

There are a several points throughout the commercial contract where it may be deemed necessary to revisit or renegotiate the commercial contract:

#### a) End of Contract Term

Generally, a commercial contract will be in place for a set period of time. Once the term of the contract has expired, both parties have the option to either extend or end the contract. The supplier is free to contract with another Shipper or apply for its own gas Shipper licence. However, if the Supplier does not contract with another party, the Shipper is presently unable to end the contract due to the obligations within the UNC to continue to supply gas to the Supply Points.

#### b) Breach of Contract

Commercial contracts will usually have certain terms and rules in place for each party to follow. These may be related to; financial payments, standards of performance, data & reporting etc. Termination would usually be an option in the result of a material breach of contract. At this point suppliers are again free to contract with another Shipper or apply for its own gas Shipper licence. However, Shippers are unable to exit the contract due to the obligations within the UNC to continue to supply gas to the Supply Points.

#### c) Other Trigger Points

There may be other clauses within the contractual agreement that may trigger the need for a contract to be renegotiated or terminated.

## 2 Impacts and Costs

### Consideration of Wider Industry Impacts

#### Impacts

Impact on Central Systems and Process	
Central System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> <li>The CDSP would be required to provide an overview of any impact on UK Link systems</li> </ul>
Operational Processes	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
Development, capital, and operating costs	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
Legislative, regulatory, and contractual obligations and relationships	<ul style="list-style-type: none"> <li>Highly likely - Dependent on outcome of the review</li> </ul>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Development, capital, and operating costs	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
Recovery of costs	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
Price regulation	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
Legislative, regulatory, and contractual obligations and relationships	<ul style="list-style-type: none"> <li>Highly likely - Dependent on outcome of the review</li> </ul>
Standards of service	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Cross Code impact	<ul style="list-style-type: none"> <li>Potential impact on IGT UNC</li> </ul>

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
UNC Committees	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>

Impact on Code Administration	
General administration	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
DSC Committees	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>

Impact on Code	
Code section	Potential impact
Multiple Sections	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
	<ul style="list-style-type: none"> <li></li> </ul>
	<ul style="list-style-type: none"> <li></li> </ul>
	<ul style="list-style-type: none"> <li></li> </ul>

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
General	Potential Impact
Legal Text Guidance Document	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
UNC Modification Proposals – Guidance for Proposers	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Self-Governance Guidance	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
TPD	Potential Impact
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
UNC Data Dictionary	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
AQ Validation Rules (TPD V12)	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
AUGE Framework Document	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Customer Settlement Error Claims Process	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Demand Estimation Methodology	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Energy Settlement Performance Assurance Regime	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Guidelines to optimise the use of AQ amendment system capacity	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>

Impact on UNC Related Documents and Other Referenced Documents	
Guidelines for Sub-Deduct Arrangements (Prime and Sub-deduct Meter Points)	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
LDZ Shrinkage Adjustment Methodology	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Performance Assurance Report Register	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Shares Supply Meter Points Guide and Procedures	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Shipper Communications in Incidents of CO Poisoning, Gas Fire/Explosions and Local Gas Supply Emergency	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Standards of Service Query Management Operational Guidelines	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Network Code Validation Rules	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
OAD	Potential Impact
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
EID	Potential Impact
Moffat Designated Arrangements	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
IGTAD	Potential Impact
	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
DSC / CDSP	Potential Impact
Change Management Procedures	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Contract Management Procedures	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Credit Policy	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Credit Rules	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
UK Link Manual	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>
Gas Transporter Licence	<ul style="list-style-type: none"> <li>No impact identified</li> </ul>

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
Operation of the Total System	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
Industry fragmentation	<ul style="list-style-type: none"> <li>Dependent on outcome of the review</li> </ul>
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none"> <li>Potential impact on suppliers</li> <li>Potential impact on SPAA</li> <li>Potential impact on consumers</li> </ul>

## 3 Terms of Reference

### Topics for Discussion

- Understanding the objective
- Assessment of alternative means to achieve objective
- Development of Solution (including business rules if appropriate)
- Assessment of potential impacts of the Request
- Assessment of implementation costs of any solution identified during the Request
- Assessment of legal text.

### Outputs

Produce a Workgroup Report for submission to the Modification Panel, containing the assessment and recommendations of the Workgroup including a draft modification where appropriate.

### Composition of Workgroup

The Workgroup is open to any party that wishes to attend or participate.

A Workgroup meeting will be quorate provided at least two Transporter and two User representatives are present. There may also be a requirement for Supplier representatives.

### Meeting Arrangements

Meetings will be administered by the Joint Office and conducted in accordance with the Code Administration Code of Practice.

## 4 Recommendations

### Proposer's Recommendation to Panel

The Proposer invites the Panel to:

- DETERMINE that Request 0706R V2.0 progress to Workgroup for review.