














UNC Modification	At what stage is this document in the process?
<h1>UNC 0721 (Urgent):</h1> <h2>Shipper submitted AQ Corrections during COVID-19</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p><b>Purpose of Modification:</b></p> <p>To Authorise the CDSP to accept requests from shippers who submit AQ corrections to amend the AQ in response to the changing consumption of the end user as a result of the COVID-19 crisis, by including this as a reason to do so.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>treated as urgent and should proceed as such under a timetable agreed with the Authority</li> </ul>
	<p>High Impact:</p> <p>Shippers, End Users</p>
	<p>Medium Impact:</p> <p>CDSP</p>
	<p>Low Impact:</p> <p>Suppliers</p>

Contents		 Any questions?
1	Summary	3
2	Governance	4
3	Why Change?	5
4	Code Specific Matters	5
5	Solution	5
6	Impacts & Other Considerations	5
7	Relevant Objectives	7
8	Implementation	7
9	Legal Text	7
10	Recommendations	8
Timetable		 0121 288 2107
The Proposer recommends the following timetable:		Proposer: <b>Steve Mulinganie</b>
Modification sent to Ofgem	21 April 2020	 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
Ofgem Decision on Urgency	22 April 2020	 0799 0972568
Consultation Commences ( <i>3 Business Day consultation</i> )	22 April 2020	Transporter: <b>Northern Gas Networks</b>
Consultation Close-out for representations	27 April 2020	 <a href="mailto:trsaunders@northyngas.co.uk">trsaunders@northyngas.co.uk</a>
Final Modification Report available for Panel	28 April 2020	 07580 215743
Modification Panel recommendation	30 April 2020	Systems Provider: <b>Xoserve</b>
Ofgem Decision	01 May 2020	 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>
		Other: <b>Gareth Evans (WWA)</b>
		 <a href="mailto:gareth@waterswye.co.uk">gareth@waterswye.co.uk</a>
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# 1 Summary

## What

Currently within the UNC Users are able to submit AQ Corrections for premises where they consider that the Annual Quantity does not reflect the expected seasonally adjusted consumption of gas over the subsequent 12 months.

The UNC sets out the eligible reasons for AQ Correction. These being:

- the confirmed theft of gas (UNC TPD G1.6.21(a))
- the installation, replacement or removal of Consumer's Plant which results in a material change in the basis on which gas is consumed (UNC TPD G1.6.21(b))
- the commencement of a new business activity or discontinuance of an existing business activity at the consumer's premises (UNC TPD G1.6.21(c))

A User may also submit an AQ Correction where the User submits a Meter Reading which is rejected because it falls outside the wider tolerance band, but for which the User is satisfied that the Meter Reading is valid (and would not fail validation if the Annual Quantity were so changed).

The COVID-19 Pandemic has led to businesses varying their activity or patterns of activity, for example:

- discontinuing activity (i.e. not being classed as essential, therefore being subject to Lockdown);
- establishing others (e.g. repurposing factories to make essential equipment (e.g. ventilators)); or,
- increasing existing activity having been classed as essential or meeting shortages (e.g. toilet roll factories).

The current criteria for AQ corrections do not cater for changes in consumption for the above reasons, meaning that many sites have AQs that are unrepresentative of the actual consumption, with no mechanism in place to amend the AQ quickly

## Why

Accurate AQs are fundamental to determining the estimated daily consumption of an NDM site. Inaccurate AQs results in inaccurate demand forecasts for individual sites, and hence inaccurate demand allocations for shippers. This results in high levels of negative UIG to correct for the fundamental mismatch between the derived and actual consumptions for sites, as well as significant costs for shippers as they are initially required to procure much higher levels of gas than is required. This situation will continue for many sites for a considerable period of time until site consumptions are corrected through the AQ calculation process which will only amend incrementally over time where Meter Readings are available. In many cases as these sites are not accessible and the allocated energy will not be reconciled until after the COVID-19 crisis.

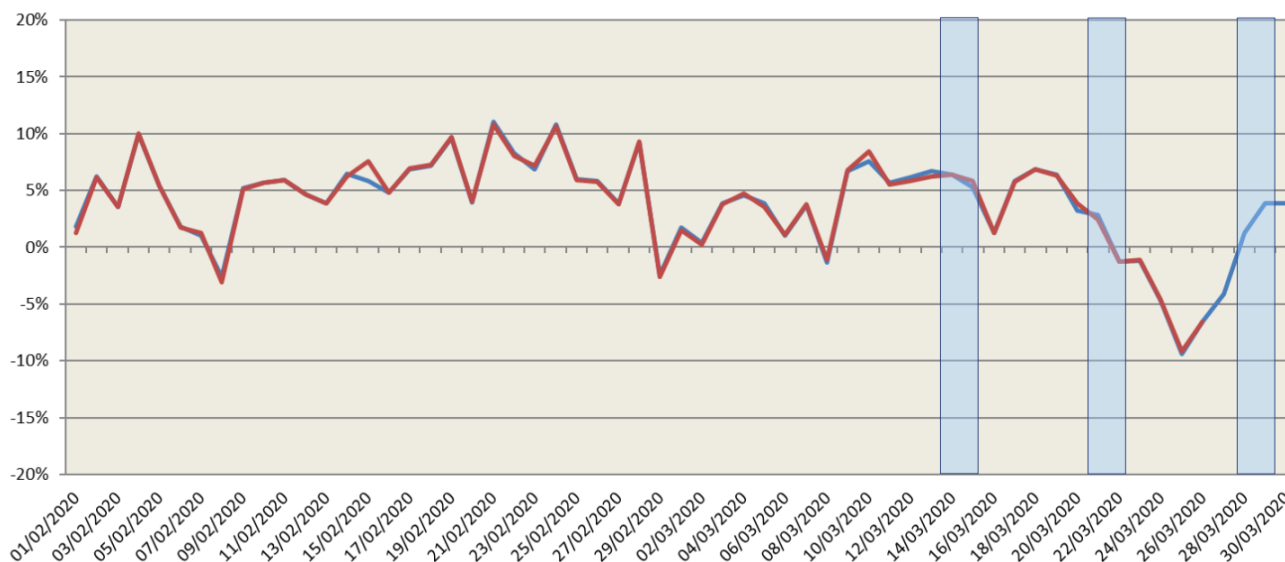
## How

This modification proposes to create a new category of "eligible cause" for the purposes of UNC TPD G.1.6.21, namely that shippers can request a change in the AQ where the site's consumption has varied unexpectedly due to the impact of "coronavirus" (as defined in the Coronavirus Act 2020). This will only apply to EUC Codes 2 through 9 that have not been Isolated. EUC code 1 is not included to reduce the volume of transactions to make the process manageable for the CDSP.

## 2 Governance

### Justification for Urgency

This Modification recognises that there will be changes in gas consumers' usage as a result of the COVID-19 crisis. Non-domestic suppliers are reporting reductions of around 20% in total portfolio demand, with some sectors such as retail and hospitality reporting reductions of up to 80%. This means that AQ for many sites in EUC bands 2-9 is significantly overstated, as it is demonstrated by the recent levels of UIG since the commencement of the COVID-19 crisis:



Source: Xoserve

The current AQ Correction timetable for any changes that have an effective date of 1<sup>st</sup> June requires that AQ Corrections are submitted by require submission by 7<sup>th</sup> May (M-15). An urgent timetable is needed to ensure that this deadline is achieved.

### 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?

Since the COVID-19 Lockdown has been enforced there have been unexpected impacts on gas usage at individual sites, including actual usage deviating significantly from the AQ. Shippers therefore require a mechanism to mitigate this issue to avoid incorrect allocations and the subsequent impacts on UIG. A change to the code is required as the circumstances currently stipulated under code for altering the AQ of a Meter Supply Point are too limiting for these exceptional circumstances.

Without implementation, during the COVID-19 crisis, the AQ will become unrepresentative of the gas consumed at many non-domestic sites. For NDM sites, the AQ is used as a basis for Allocations which will mean that the Allocations will not reflect actual consumption, leading to large volumes of UIG that have already been observed.

When usage returns to normal levels, we can also expect the AQ taking some time to align with expected consumptions using normal industry processes and so some provision to allow sites to amend AQ after the lockdown period would also seem reasonable.

### 4 Code Specific Matters

#### Reference Documents

None

#### Knowledge/Skills

None

### 5 Solution

This Modification proposes to extend the eligible causes in order that the Users are able to correctly reflect the impact of the COVID-19 Lockdown Period(s) AND to allow the User to reverse this following the lifting of Lockdown.

This modification proposes to create a new category of “eligible cause” for the purposes of UNC TPD G.1.6.21, namely that shippers can request a change in the AQ as the site’s consumption has varied unexpectedly due to the impact of “coronavirus” (as defined in the Coronavirus Act 2020). This will only apply to EUC Codes 2 through 9 that have not been Isolated. EUC code 1 and Isolated sites are not included to make the process manageable for the CDSP.

### 6 Impacts & Other Considerations

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

NA

## Consumer Impacts

The COVID-19 crisis has meant that many non-domestic sites have ceased using gas. Without implementation of this modification AQs for those sites will not show a true depiction of normal usage, negatively impacting Allocations, UIG and indirectly consumer bills. Implementation of this modification addresses those issues.

## Cross Code Impacts

None.

## EU Code Impacts

None.

## Central Systems Impacts

This modification does not require changes to existing systems or processes as it utilises and repurposes an existing record and file type. Consequently, the proposal may be implemented without modifying central systems. Through discussions with Xoserve the following high-level system solution is proposed.

System / Process Solution Notes:

- The eligible causes typically correlate directly with the REQUEST\_REASON in the RT\_C41\_AQ\_CORRECTION record. Due to simplification of the solution within UK Link systems – to avoid additional validation - and because Users are known to be able to submit such AQ Corrections it is proposed that Users should use REASON CODE 2.

REQUEST_REASON	M	N	2	0	1 - Confirmed Theft of Gas, 2 – Change in Consumers Plant, 3 – Commencement of a new business activity, 4 – Tolerance change, 5 – Winter Consumption
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- Where populating the AQ Correction (C41 Record) with REQUEST\_REASON 2 the SUPPORTING\_INFORMATION is mandatory. This field is normally provided by the User in order to justify the change in consumer plant.
- The conditionality will not be amended following implementation of this modification; therefore, we would expect that this is populated as 'COVID19'. Should Users wish to provide additional justification they may do so.

SUPPORTING_INFORMATION	O	T	254	0	Mandatory where REQUEST_REASON is 2
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- Assessment what, if any, additional notification would be required from Users to assist in differentiating Supply Meter Points that meet the criteria of this Modification from other AQ Corrections in order to enable Users and the CDSP to monitor and effect necessary revision following Lockdown.
- This modification also seeks to propose rules that limit the take up of the AQ Correction process. AQ Corrections are considered exception activities, and typically the number of AQ Corrections applied each month do not exceed correction to 3,000 Supply Meter Points.

## 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.	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

Shippers have obligations under license to ensure that its offtakes of gas from a transporter's pipe-line system and its deliveries of gas are equal. This modification will improve energy allocation, so reducing costs in the market and hence furthering competition.

## 8 Implementation

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

## 9 Legal Text

### Text Commentary

Legal text has been published alongside this Modification.

### Text

Legal text has been published alongside this Modification.

## 10 Recommendations

### Proposer's Recommendation to Panel

The Authority is asked to:

- Agree that this Modification should be treated as urgent and should proceed under a timetable approved by the Authority