

UNC Final Modification Report		At what stage is this document in the process?
<h1>UNC 0736S:</h1> <h2>Clarificatory change to the AQ amendment process within TPD G2.3</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #008080; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid #0000FF; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid #800080; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #FF8C00; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>This Modification proposes to make a change to the AQ amendment process outlined in the Uniform Network Code Transportation Principles Document Section G 2.3 (UNC TPD G2.3) in order to clarify the circumstances in which such amendments can be made.</p>		
	The Panel determined that this self-governance Modification be implemented.	
	High Impact: None	
	Medium Impact: CDSP, Shippers, Transporters	
	Low Impact: None	

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Timetable		 Any questions? Contact: Joint Office of Gas Transporters  enquiries@gasgovernance.co.uk  0121 288 2107 Proposer: Andy Clasper  andy.clasper@cadentgas.com  07884 113385 Transporter: Cadent Systems Provider: Xoserve  UKLink@xoserve.com m
Modification 0736S timetable:		
Pre-Modification discussion	27 August 2020	
Modification considered by Panel	17 September 2020	
Initial consideration by Workgroup	24 September 2020	
Workgroup Report presented to Panel	27 November 2020	
Draft Modification Report issued for consultation	27 November 2020	
Consultation Close-out for representations	10 December 2020	
Final Modification Report available for Panel	16 December 2020	
Modification Panel decision (<i>at short notice</i>)	17 December 2020	

1 Summary

What

The Uniform Network Code (UNC) currently allows for the amendment of a Supply Point Annual Quantity (AQ) when the AQ does not reflect the expected consumption of gas over the following 12 month period. Three ‘eligible causes’ (G2.3.21) exist which a User can utilise in order to justify the requirement for an AQ amendment.

The AQ amendment process, defined by UNC Modification 0432 - *Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform* and refined by UNC Modification 0610 - *Project Nexus - Miscellaneous Requirements*, was always meant to be an exceptions process only and not designed to facilitate mass AQ amendment process changes. This expectation was outlined within the relevant Project Nexus Business Requirements Definition document (BRD) where it stated “8.6.1 This is an exception process to amend the AQ in certain circumstances. This process is not to be used for ‘normal’ AQ increases or decreases whereby the submission of reads will update the AQ over time.”

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf>

This Modification seeks to address and clarify the intent of the rules regarding which User can make use of the eligible cause “the commencement of a new business activity or discontinuance of an existing business activity at the consumer’s premises” (often referred to as ‘Reason Code 3’).

Why

The Modification seeks to clarify that a User within the same organisation or an Affiliate of the previously Registered User cannot utilise ‘Reason Code 3’ to justify an AQ amendment. In our view this is a correct interpretation of the process envisaged within the Project Nexus AQ amendment BRD, i.e. only for new registrations following a switching event, “following registration of a **new** Supply Meter Point evidence that available reads do not represent the AQ recorded”.

How

UNC TPD G2.3.24(b) will be amended to disallow Users from utilising the AQ amendment process as per ‘reason code 3’ where the relevant Supply Point has moved between Users within the same organisation group with an Affiliate level of 25% or above.

2 Governance

Justification for Self-Governance

This Modification makes a minor amendment to the AQ amendment ‘exceptions’ process, and as such does not have a material impact on gas consumers, competition, pipeline operations, security of supply, governance procedures and does not discriminate between code parties.

Requested Next Steps

This Modification should be:

- considered a non-material change and subject to Self-Governance
- proceed to Consultation

3 Why Change?

There are provisions within UNC for a User to make amendments to any of its registered Supply Point AQs where it believes that the AQ is not representative of its consumption over the following 12-month period.

UNC outlines three '**eligible causes**' which a User can rely on when making such an AQ amendment. The eligibility criteria within UNC TPD G2.3.21(c) (known commonly as 'Reason Code 3') is designed to allow a User to make an amendment to an individual Supply Point where the AQ may not be deemed an accurate representation of expected gas usage.

This Modification will provide clarification regarding which Users can make use of 'Reason Code 3'.

This Modification is therefore required to clarify that:

- Supply Points which are within the same organisation and/or under common ownership as the previous Registered User cannot submit AQ amendments under UNC TPD G2.3.21(c).
- The 'same organisation or common ownership' test will be 25% as specified within Schedule 1A of the Companies Act 2006 referencing 'people with significant control over a company'
- Users must provide the CDSP with a list of their Affiliates equal to or above 25% in order to utilise 'reason code 3'
- Users must update the CDSP where any future changes would take the Affiliate level equal to or above the threshold of 25%.

Affiliate is a current defined term within the UNC (General Terms C 2.9.7)

2.9.7 An "Affiliate" of a specified percentage in relation to a body corporate is:

(a) another body corporate which holds not less than the specified percentage of the voting rights of the first body corporate; or

(b) a subsidiary of the first body corporate or of such a body corporate as is referred to in paragraph (a);

The term Affiliate is utilised and referenced against in three distinct areas of code.

- DSC Committee Representation – GT D Annex D-2 – Shipper User Group references a **50%** Affiliate level
- Assignment – GT B 6.1.1(a) – **33 1/3%** is referenced as the level at which a User may assign certain UNC rights
- Protected information, confidentiality – TPD V 5.1.1(a)(ii) and 5.2.1(a)(iii) – **10%** is the set Affiliate level at which Transporters and Users can disclose Protected Information.

4 Code Specific Matters

Reference Documents

Annual Quantity Business Requirements Definition for Project Nexus V6.0

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf>

<https://www.gasgovernance.co.uk/nexus/brd/aq>

Knowledge/Skills

Nothing specific.

5 Solution

BR1: A change is required to UNC TPD G2.3.24(b) to disallow a User making an AQ amendment under TPD G2.3.21(c) where the incoming User is a 25% or greater Affiliate of the outgoing User.

BR2: Until Users have confirmed group details to the CDSP, as per BR1 (this should include where they are grouped or confirmation they do not have a group), any User submitted AQ Corrections utilising reason code 3 (TPD G2.3.21(c)) will not be classed as valid.

BR3: Where there is a change or amendment to any group arrangements which amends the Affiliate % level previously notified; the User is responsible for notifying the CDSP of such change.

For avoidance of doubt, if following an AQ Correction using reason code 3 an investigation is undertaken and it is identified the AQ Correction is invalid, then dependent upon where it is in the process, the AQ Correction can be either cancelled or reversed by the CDSP.

6 Impacts & Other Considerations

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

No impact identified

Consumer Impacts

No direct impact

Cross Code Impacts

This change will impact iGT Supply Points but no iGT Modification is expected to be required as their Code allows for this change to be automatically reflected in the IGT UNC.

EU Code Impacts

No impact

Central Systems Impacts

A change will be required to create and maintain a User Relationship Table. XRN5237 will progress this system change, the cost of which will be assessed by the normal DSC Change process.

Workgroup Impact Assessment

Distribution workgroup has discussed this Modification, which seeks to clarify AQ Amendment process in TPD, at two workgroup meetings (September and October 2020). At the time of discussions an alternative Modification which was, at the time, numbered Modification 0736A had a retrospective element. The Proposer of 0736S requested that the two Modifications be de-coupled (reference was made to this having happened before with UNC Modifications 0479S and 0522). This would remove any delay in progressing Modification 0736S. The representative for the Proposer of Modification 0736A

confirmed that they were in agreement with the two Modifications being de-coupled and Ofgem also confirmed their support when asked.

A Workgroup Participant asked if anything had changed in the Modification Rules since that last time this had happened and if so, would Ofgem still support the approach of de-coupling the Modifications. Ofgem confirmed at Workgroup they would still support de-coupling of these Modifications.

The Workgroup reviewed the Solution and Legal text for Modification 0736S and confirmed the Solution met the intent of the Modification and that the Legal Text reflected the Solution.

The consensus across the Workgroup was to de-couple the Modifications with Panel being asked to vote at the November Panel. If approved, that Modification 0736S would progress as a Modification in its own right at November’s Panel meeting with Panel being asked to issue the Modification out to consultation with the FMR being presented to the December Panel.

Rough Order of Magnitude (ROM) Assessment

Not Required for Modification 0736S.

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

This Modification would remove the ability for a User to move its portfolio to another User within the same organisation in order to make use of the AQ amendments process and reduce its overall AQ and corresponding Transportation charge exposure.

These changes would ensure that the AQ amendment process is only used as an exceptions process which was as originally envisaged. This would remove the ability to make mass AQ changes and therefore reduce levels of avoided charges being socialised across other industry parties; this would therefore further Relevant Objective d) *Securing of effective competition*.

8 Implementation

As Self-Governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

9 Legal Text

Text Commentary

Legal Text Commentary for 0736S can be found here:

<https://www.gasgovernance.co.uk/0736>

Text

Legal Text for 0736S can be found here:

<https://www.gasgovernance.co.uk/0736>

10 Consultation

Panel invited representations from interested parties on 27 November 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.

Implementation was unanimously supported in the seven representations received.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Cadent	Support	d) - positive	<ul style="list-style-type: none"> • Supports the Modification as it would clarify the circumstances in which Shippers could utilise the AQ amendment process as per TPD G2.3.21(c), more commonly referred to as 'reason code 3'. • Understands the AQ amendment arrangements were put in place following Project Nexus and were outlined within the Annual Quantity Project Nexus Business

			<p>Requirement Document (BRD).</p> <ul style="list-style-type: none"> • Cadent believes the AQ amendment process was only ever intended to be an exceptions process following the switch of a Supply Point from one Shipper to another (unrelated) Shipper. Unfortunately, the arrangements outlined within the UNC do not fully match the intent of the BRD and currently allows for circumstances in which a Shipper could amend large numbers of AQs ‘en masse’ by moving them from one ‘short code’ to another. • Agrees this modification would therefore amend UNC to match the intent of the BRD by ensuring ‘reason code 3’ remains an AQ amendment exceptions process following a switch of Supply Point from one Shipper to another unrelated Shipper. • Believes by removing the ability for ‘reason code 3’ to be used inappropriately, with the consequential socialising of avoided transportation charges to all Shippers, this modification would further Relevant Objective d) Securing of effective competition. • Supports the implementation of this Modification Proposal as soon as practicable following the decision to implement the Proposal. • Cadent would not incur any specific additional costs as a consequence of the implementation of this Proposal • Believes that the Legal Text satisfies the intent of the solution identified in this Proposal.
Centrica	Support	d) - positive	<ul style="list-style-type: none"> • States this Modification would ensure reason code 3’ is used in the intention it was developed only allowing AQ amendments to be processed following a switch of Supply Point from one Shipper to another unrelated Shipper. • Believes that the Modification would avoid future charges being unfairly socialised across industry parties where organisations have incorrectly made use of this process. • Believes the intention of the Solution will be delivered by the legal text. • Agrees that this Modification should be subject to Self-Governance procedures.
Contract National Gas	Support	d) - positive	<ul style="list-style-type: none"> • Supports the outcome of this Modification which would provide further clarity to Shippers around future use of

			<p>the AQ amendment process as per TPD G2.3.21(c)</p> <ul style="list-style-type: none"> • Does not envisage any external / internal costs related to the implementation. • Believes the legal text provided should deliver the Solution set out in the modification. • Highlights that should this change be implemented; it would deliver substantial elements of the decoupled UNC Modification 0746 (Formerly 0736A). Therefore, it would expect that 0746 would either be withdrawn or reviewed and amended to remove elements already resolved by the implementation of 0736.
Northern Gas Networks	Support	d) - positive	<ul style="list-style-type: none"> • Supports this Modification proposal as it seeks to provide addition clarity around the circumstance under which G2.3.21(c) can be utilised. • Believes the reason code was originally intended to allow a User to make AQ adjustments where they have taken over an individual supply point and they believe that the AQ is an incorrect reflection of the expected gas usage. • Notes this Modification proposal seeks to ensure that this reason code can only be utilised where a Supply Point moves from a User that is not part of same or common ownership. This should prevent the reason code from being used to move portfolios between associated Users to correct mass AQ inaccuracies. • Believes that this is positive for Relevant Objective d) <i>Securing of effective competition: (i) between relevant Shippers, (ii) between relevant suppliers</i>, as it should limit the activity from being used to make mass AQ changes, therefore reducing the volume of resulting charges being socialised across other industry parties. • Supports the implementation of this Modification Proposal as soon as practicable following the decision to implement the Proposal. • Northern Gas Networks has identified any impacts or costs associated with the implementation of this Proposal • Believes the Legal Text satisfies the intent of the solution identified in this Proposal.
Scotland Gas Networks and Southern Gas Networks	Support	d) - positive	<ul style="list-style-type: none"> • Supports the Modification as it would clarify the circumstances in which a User can apply Reason Code 3 when submitting an AQ amendment.

			<ul style="list-style-type: none"> • Notes that the original intention for Reason Code 3 was to allow new registrations the opportunity to amend their AQ following a switching event from one Shipper to an unrelated Shipper when the reads are found not to be reflective of the AQ recorded in the central systems. • Approves that this Modification will further clarify that a User within the same organisation, or an Affiliate of the previously Registered User, cannot utilise 'Reason Code 3' to justify an AQ amendment. • Believes that relevant objective d) - "<i>securing effective competition</i>" is fulfilled by making this change. • Agrees that the Modification fulfils the requirements for self-governance criteria. • SGN does not expect to see any development costs from implementing this change. • Is satisfied that the legal text reflects the intent of the modification.
Scottish Power	Support	d) - positive	<ul style="list-style-type: none"> • Supports the Modification as it will provide clarity of when a User can utilise "<i>Reason Code 3</i>" (Commencement of New Business) when submitting an AQ amendment. It also ensures the reason code is used for the correct purpose and would prevent any ambiguity of the use of the reason code. • Requests clarification on the validation measures operating within Reason Code 3. • Agrees with the Self-governance status. • Notes that Scottish Power would not face any ongoing costs as a result of this change. • Is satisfied that the legal text will deliver the proposed solution.
Wales and West Utilities	Support	d) - positive	<ul style="list-style-type: none"> • Supports this Modification Proposal because it closes a loophole in the UNC that enables a Shipper organisation to transfer Supply Meter Points from one legal entity to another within the same organisation and to amend the Annual Quantity. • Notes that the proposal clearly explains this was the intention of the AQ amendment process implemented under Project Nexus was only to allow this in exceptional circumstances. This Modification Proposal therefore furthers relevant objective (d) (i) <i>Securing of effective competition between relevant shippers</i>. • Confirms that this Modification satisfies the Self-

			governance criteria.
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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 Modification 0736S would make a change to the AQ amendment process outlined in the Uniform Network Code Transportation Principles Document Section G 2.3 (UNC TPD G2.3) in order to clarify the circumstances in which such amendments can be made.

Panel Members considered the representations made noting that implementation was unanimously supported in the seven representations received.

Some Panel Members agreed with respondents and the Proposer that this Modification would remove the ability to make mass AQ changes and therefore reduce levels of avoided charges being socialised across other industry parties. They also agreed that implementation would clarify the application of Code in such circumstances.

Consideration of the Relevant objectives

Panel Members considered relevant objective *d) Securing of effective competition*, as these changes would ensure that the AQ amendment process is only used as an exceptions process which was as originally envisaged. This would remove the ability to make mass AQ changes and therefore reduce levels of avoided charges being socialised across other industry parties.

Panel Members considered relevant objective *f) Promotion of efficiency in the implementation and administration of the Code*, agreeing that implementation would have a positive impact because it will ensure clarity in the application of Code.

Determinations

Panel Members voted unanimously that no new issues were identified as part of consultation.

Panel Members voted with 13 votes in favour (out of a possible 14), to implement Modification 0736S.

12 Recommendations

Panel Determination

Panel Members agreed:

- that Modification 0736S should be implemented.