

Modification proposal:	Uniform Network Code (UNC) 0824: Appointment of CDSP as the Scheme Administrator for the Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas) (UNC 0824)		
Decision:	The Authority ¹ directs this modification be made ²		
Target audience:	UNC Panel, Parties to the UNC and other interested parties		
Date of publication:	22 September 2022	Implementation date:	26 September 2022

Background

The unprecedented rise in gas prices over the last twelve months has significantly increased energy prices for consumers in Great Britain and across Europe. On 26 August 2022, we announced that the energy price cap for a typical household gas and electricity bill in Great Britain would increase to £3,549 per year from 1 October 2022.³ As well as the impact on the wellbeing of consumers who may not be able to afford these price levels, increasing wholesale energy costs could have wider economic impacts, including increased risk of supplier failure and increased mutualisation costs for remaining suppliers in the market, all of which would adversely impact consumers.

On 8 September 2022, the Government announced a new 'Energy Price Guarantee' scheme to start from 1 October 2022 for a limited period. The Energy Price Guarantee (EPG) will limit the price that suppliers can charge consumers for each unit of energy. Above that limit, the Government will pay the cost of the energy.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ The [Ofgem press release about the energy price cap level](#) is on our website.

The modification proposal

On 16 September 2022, Northern Gas Networks Limited ('the Proposer') raised UNC modification UNC 0824 as an urgent UNC modification proposal. UNC 0824 seeks to enable xoserve, as the Central Data Service Provider (CDSP), to be appointed as Scheme Administrator for the Government's proposed EPG scheme for domestic gas customers ('the EPG (Gas) Scheme') which is to take effect from 1 October 2022. The modification will do so by allowing xoserve, as the CDSP, to undertake the function of Scheme Administrator for the EPG (Gas) Scheme. xoserve's respective role, function and responsibilities as Scheme Administrator for the EPG (Gas) Scheme will be described in more detail in a separate EPG Scheme Document.

In making the request for urgent treatment, the Proposer considered that UNC 0824 be deemed urgent due to the imminent implementation of the increased energy price cap from 1 October 2022 and the significant impact this would have on domestic consumers, which the EPG (Gas) Scheme is intended to address by the Government intervening to limit the increase in prices that consumers would have otherwise experienced. Due to the timings involved, no formal UNC Panel view on the modification proposal was sought prior to industry consultation.

In granting urgent status to UNC 0824, we were satisfied that it pertains to an imminent or current issue which, if not urgently addressed, may cause a significant commercial impact on parties, consumers or other stakeholder(s).⁴

UNC Panel⁵ recommendation

At the UNC Panel meeting on 22 September 2022, the UNC Panel unanimously considered that UNC 0824 would better facilitate the UNC objectives and the Panel therefore recommended its approval. In particular, some of the Panel considered that UNC 0824 better facilitated relevant objective (d) as the Modification would reduce the risk to the domestic supply market and therefore act to protect against further supplier exits.

⁴ Our [UNC 0824 urgent decision letter](#) appears on the Ofgem website. Our published [Guidance on Code Modification Urgency Criteria](#) also appears on our website. An imminent issue may be date related.

⁵ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 22 September 2022. We have considered and taken into account the responses to the industry consultation on the modification proposal which are attached to the FMR⁶. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC;⁷ and
- directing that the modification be made is consistent with our principal objective and statutory duties.⁸

Reasons for our decision

We consider this modification proposal will better facilitate UNC objective (d) and has no impact on the other relevant objectives.

(d) so far as is consistent with sub-paragraphs (a) to (c) the 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

We consider UNC 0824 to be an enabling modification that will allow xoserve to perform the role of the Scheme Administrator for the EPG (Gas) Scheme which the Government plans to take effect on 1 October 2022.

The Government has identified xoserve as the party it wishes to appoint to the role of Scheme Administrator for the EPG (Gas) Scheme. Enabling xoserve to take on this role in the EPG (Gas)

⁶ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.co.uk

⁷ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: <https://epr.ofgem.gov.uk/Content/Documents/Standard%20Special%20Condition%20-%20PART%20A%20Consolidated%20-%20Current%20Version.pdf>

⁸ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.

Scheme through this modification will enable the EPG to be implemented in a timely manner and provide a degree of assurance to consumers about energy prices for the period of the Scheme and provide assurance to suppliers that they will be able to recover necessary costs above the limit at which consumers will pay for their energy for the duration of the Scheme, with the gas Scheme managed by xoserve as the Scheme Administrator.

For these reasons, we agree with the UNC Panel that UNC 0824 better facilitates this objective.

Assessment against Authority's principal objective and statutory duties

We have considered whether directing the implementation of UNC 0824 would be consistent with our principal objective of protecting the interests of existing and future consumers, as well as our statutory duties under the Gas Act 1986. Those statutory duties include the need to carry out our functions in the manner we consider is best calculated to further the principal objective, wherever appropriate by promoting effective competition between persons engaged in, or commercial activities connected with, the shipping, transportation or supply of gas. We consider that UNC 0824 would help to facilitate this statutory duty, which is also reflected in the relevant objectives of the UNC, in particular relevant objective (d) as set out above.

In considering our statutory duty to have regard to the need to secure that licence holders are able to finance their activities, we consider that UNC 0824 plays an important role in enabling suppliers to recover necessary costs under the EPG (Gas) Scheme, as explained above.

We have also had regard to the interests of vulnerable consumers, and we consider that UNC 0824 would make an important contribution to mitigating risks of consumers, including those in vulnerable circumstances, not receiving the support and service they need when they need it.

xoserve's role as the Scheme Administrator for the EPG (Gas) Scheme

A consultation respondent highlighted their view that the current UNC arrangements do not facilitate the CDSP to engage in non-UNC activities as set out by this modification. We have considered this and would highlight that the Gas Transporter licence (in Standard Special Condition (SSC) A15) requires licensees, together with relevant Gas Transporters, to ensure that the UNC sets a classification of CDSP Services, including those which are required to be used by Relevant Gas Transporters, gas shippers and other parties to the UNC. The UNC then

classifies those CDSP Services, one of which will, in light of this modification, now be the EPG Scheme administration services.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters licence, the Authority hereby directs that modification proposal UNC 0824: 'Appointment of CDSP as the Scheme Administrator for the Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas)' be made.

Neil Lawrence

Director of Retail

Signed on behalf of the Authority and authorised for that purpose