










UNC Final Modification Report	At what stage is this document in the process?
<h1 data-bbox="132 320 727 412">UNC 0795S:</h1> <h2 data-bbox="132 450 1054 663">Arrangements for charging for revenue to pay valid Last Resort Supplier Payment claims</h2>	<div data-bbox="1209 315 1473 640"> <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>This Modification describes the arrangements currently used for charging for revenue to pay valid Last Resort Supplier Payment claims from Suppliers of Last Resort. It is being raised as it is unclear when or whether 0687 will be directed for implementation and clarity is required for financial year 2022/23.</p>	
<p>Next Steps:</p> <p>Panel Members voted unanimously to defer consideration of whether to implement Modification 0795S to 17 February 2022.</p>	
<p>Impacted Parties:</p> <p>High:</p> <p>Low: Shippers and Transporters</p> <p>None:</p>	
<p>Impacted Codes:</p> <p>None</p>	

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Timetable		 Any questions?
Modification timetable:		Contact:
		Joint Office of Gas Transporters
		 enquiries@gasgovernance.co.uk
		 0121 288 2107
		Proposer:
		Richard Pomroy Wales & West Utilities
		 Richard.Pomroy@wutilities.co.uk
		 07812 973337
		Transporter:
		Richard Pomroy Wales & West Utilities
		 Richard.Pomroy@wutilities.co.uk
		 07812 973337
		Systems Provider:
		Xoserve
		 UKLink@xoserve.com

1 Summary

What

This Modification clarifies, for Shippers, the way in which Distribution Network Operators (DNOs) recover revenue to pay valid Last Resort Supplier Payment claims following Ofgem granting consent to a Supplier of Last Resort (SoLR) to submit a valid Last Resort Supplier Payment (LRSP) claim to a Transporter, in accordance with Supplier Standard Licence Condition 9, by the deadline in the Gas Transporter licence Standard Special Condition A48 and how DNOs charges are set to recover the required revenue.

Why

In view of the large value of Last Resort Supplier Payment claims that may be submitted, setting out the arrangements in the Uniform Network Code (UNC) is necessary and provides clarity to Shippers.

How

This requires amendments to TPD B and Y part 2.

2 Governance

Justification for Self-Governance

This is proposed as a Self-Governance Modification as it will not have a material effect on any of the relevant criteria as it codifies the arrangements currently used.

Requested Next Steps

This Modification should:

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

This Modification was initially discussed at Distribution Workgroup on 25th November as a Pre-Modification and then the final Modification with legal text was discussed at Distribution Workgroup on 13 December¹. No material comments were raised at the meeting on 25 November and there is no further benefit from workgroup discussion.

Issuing the Modification to consultation in December would enable the UNC Modification Panel to make an implementation decision at January Panel which will mean that the decision will be known before DNOs publish their Transportation Charges for 2022/23 by 01 February 2022.

Closing consultations out on 11 January would allow 15 Business Days consultation of which five would be 17 to 23 December, five would be from 05 to 11 January and five would be in the period 24 December to 04 January inclusive.

¹ This workgroup took place before December's Panel but after the Modification was submitted.

3 Why Change?

Clarity is required on the way DNOs recover the revenue to pay a valid LRSP claim in accordance with Transporter Standard Special Condition A48. There is the possibility of a significant value of valid LRSP claims being submitted requesting payment and hence requiring revenue recovery in 2022/23 for those claims that are received by the deadline in Gas Transporter licence condition A48. This Modification inserts text into the UNC that reflects the way revenue has been recovered previously in line with directions issued by Ofgem.²

Should UNC Modification 0687 be directed for implementation in sufficient time to implement it by 1st April 2022 this Modification will be withdrawn.

The governance proposed for this Modification envisages a determination by the UNC Modification Panel in January 2022, this is after the date by which Modification 0687 will need to have been directed for implementation to allow it to be implemented to take effect from 01 April 2022³; therefore, there should be no conflict between this Modification and Modification 0687.

4 Code Specific Matters

Knowledge/Skills

Some knowledge of Transportation Charging is helpful

5 Solution

- 1) Define the way revenue to pay valid LRSP claims (noting that several may be received during a year) is recovered:
- 2) Establish the right for the DNO to charge this amount to Shippers
- 3) For the purposes of the UNC treat the charges for the recovery of revenue to pay valid LRSP claims as a Transportation Charge so that all the provisions of TPD V to do with credit apply and to enable the LRSP charge to be invoiced as a Transportation charge in accordance with TPD S to avoid having to create new charge types. For information the proposer thinks that this should also mean this charge will be included in the calculations of the domestic Supplier price cap.

6 Impacts & Other Considerations

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

No impact

² [Direction in relation to the treatment of costs in respect of Together Energy Limited's, Ovo Energy Limited's, and Shell Energy Limited's Last Resort Supply Payment claim as Miscellaneous Pass-Through | Ofgem](#)

³ WWU has previously provided its view that a decision on 0687 was required by 30th November 2021

Consumer Impacts

None. This Modification reflects the way revenue has been raised in previous years to make Last Resort Supplier Payments. The impact on consumers in 2022/23 and / or subsequent years is due to the size of the potential claims not this Modification in itself.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability	None
Lower bills than would otherwise be the case None, this text reflects the way revenue to make Last Resort Supplier Payments have been raised in the past.	None
Reduced environmental damage	None
Improved quality of service	None
Benefits for society as a whole	None

Cross-Code Impacts

None. Note, that as currently some of the revenue is recovered from DNO charges relating to IGT Supply Points

EU Code Impacts

None.

Central Systems Impacts

None. The treatment of the recovery of the revenue to pay valid LRSP claims as a Transportation charge for UNC purposes avoids having to create new charge types; therefore, there should be no impacts on central systems nor on the systems of Transporters and Shippers.

7 Relevant Objectives

Impact of the Modification on the Transporters' Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> (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.	Positive
d) Securing of effective competition: <ul style="list-style-type: none"> (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. 	None
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

Relevant Objective c) is furthered because this Modification provides detail of how the revenue required to pay a valid Last Resort Supplier Payment claim is raised following receipt of a valid claim in accordance with Transporter Standard Special Condition A48.

Relevant Objective f) is furthered because this Modification provides clarity to Shipper Users as to how the charges are set to recover the valid Last Resort Supplier Payment claim.

Impact of the Modification on the Transporters' Relevant Charging Methodology Objectives:

Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: <ul style="list-style-type: none"> (i) no reserve price is applied, or (ii) that reserve price is set at a level - <ul style="list-style-type: none"> (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers; 	None
b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	None
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	None
d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
e) 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

Note: Although this Modification defines the recovery of the revenue to pay valid LRSP claims, there are no direct impacts on the Relevant Charging Methodology objectives because this charge is raised following submission of a valid LRSP claim, by the deadline in the Transporter Licence Standard Special Condition A48, by a Supplier in respect of costs incurred as a SoLR and the revenue is charged for using the same approach as for charging for allowed revenue. For information, these amounts will only be paid to the Supplier following collection in accordance with Transporter Licence Standard Special Condition A48.

8 Implementation

No parties are expected to incur implementation costs.

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

Reference	Explanation
TRANSPORTATION PRINCIPAL DOCUMENT	
SECTION B – SYSTEM USE & CAPACITY	
New paragraph 1.7.13	To introduce a rule to recognise that Transportation Charges can be set to take account of amounts which may be recovered by a Transporter under SSC A48.
SECTION Y – CHARGING METHOLOGIES	
PART B – DN TRANSPORTATION CHARGING METHODOLOGY	
New paragraph 11 - heading	Specified Amount
New paragraph 11.1	To allow gas distribution charges for a Formula Year to be calculated to allow for the recovery of 'specified amounts' following 'valid claims' received by the Transporter before the start of the Formula Year (as such terms are defined in SSC 48).
New paragraph 11.2	To define in respect of a Formula Year the Specified Amount (i.e. amounts which may be recovered (in accordance with paragraph 11.1) in the Formula Year.
New paragraph 11.3	To define the LRSP Component of a transportation charge, being the difference between the applicable transportation charge allowing for recovery of the Specified Amount and the charge that would have been payable in the absence of recovery of the Specified Amount.
New paragraph 11.4	To make clear a DN's Transportation Statement will include transportation charges which are inclusive of any LRSP Component.

Text

TRANSPORTATION PRINCIPAL DOCUMENT

SECTION B – SYSTEM USE AND CAPACITY

Add new paragraph 1.7.13 to read as follows:

1.7.13 As a consequence of Standard Special Condition A48 (Last Resort Supply: Payment Claims) of the Transporter's Licence the rate or amount of any Transportation Charge may take account of a specified amount(s) (as such specified amount is defined in the Standard Special Condition).

SECTION Y – CHARGING METHODOLOGIES

PART B – DN TRANSPORTATION CHARGING METHODOLOGY

Add new paragraph 11 to read as follows:

11 Specified Amount

- 11.1 In respect of a Formula Year gas distribution charges may be calculated to allow for the recovery of some or all of the 'specified amount'(s) attributable to each 'valid claim' received by the DN Operator prior to the commencement of that Formula Year (the terms 'specified amount' and 'valid claim' having the meanings given to them in Standard Special Condition A48 (Last Resort Supply: Payment Claims) of the Transporter's Licence) and not recovered through its gas distribution charges in any previous Formula Year.
- 11.2 For the purposes of this paragraph 11, all amounts that are to be recovered in any Formula Year in accordance with sub-paragraph 11.1 shall in aggregate be referred to as the "**Specified Amount**".
- 11.3 In respect of a gas distribution charge the "**LRSP Component**" of such charge payable in respect of a Formula Year shall represent the difference between:
- (a) the gas distribution charge that is payable in relation to the Formula Year (allowing for the recovery of Specified Amount); and
 - (b) the gas distribution charge that would have been payable in relation to the Formula Year in the absence of the recovery of the Specified Amount.
- 11.4 In respect of a Formula Year the gas distribution charges published by a DN Operator in its Transportation Statement shall be charges which include any LRSP Component.

10 Consultation

Panel invited representations from interested parties on 16 December 2021. All representations are encompassed within the Appended Representations section.

The following table provides a high-level summary of the representations. Of the 4 representations received 2 supported implementation, 1 offered qualified support, and 1 was not in support.

Representations were received from the following parties:		
Organisation	Response	Relevant Objectives
British Gas	Qualified Support	c) none f) none
Northern Gas Networks	Supports	c) positive f) positive

Octopus Energy	Oppose	c) none f) none
WWU	Supports	c) positive f) positive

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 0795S would clarify the way in which Distribution Network Operators (DNOs) recover revenue to pay valid Last Resort Supplier Payment claims following Ofgem granting consent to a Supplier of Last Resort (SoLR) to submit a valid Last Resort Supplier Payment (LRSP) claim to a Transporter, in accordance with Supplier Standard Licence Condition 9, by the deadline in the Gas Transporter licence Standard Special Condition A48 and how DNOs charges are set to recover the required revenue.

The Panel representative (A Ryan) verbally notified Panel that the Authority will be directing that Modification 0797 be implemented rather than Modification 0687V.

The Proposer of Modification 0795S requested that Panel defer consideration of this Final Modification Report until its 17 February 2022 meeting as the formal letter from the Authority directing which of Modifications 0687V and 0797 will be implemented had not yet been received.

Determinations

Panel Members voted unanimously to defer consideration of whether to implement Modification 0795S to 17 February 2022.

12 Recommendations

Panel Determination 17 February 2022

13 Appended Representations

Representation - British Gas

Representation – Northern Gas Networks

Representation – Octopus Energy

Representation - WWU

Representation - Draft Modification Report UNC 0795S

Arrangements for charging for revenue to pay valid Last Resort Supplier Payment claims

Responses invited by: **5pm on 11 January 2022**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	George Moran
Organisation:	British Gas
Date of Representation:	11/01/2022
Support or oppose implementation?	Qualified Support
Relevant Objective:	c) None f) None
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

If implemented from 1 April 2022 to apply to future SoLR claims, and if the legal text is improved to specify which distribution charges are affected by SoLR claims, then this modification may arguably provide a small amount of additional clarity.

Contrary to the assertions being made in the related modification (0687), there is currently no uncertainty surrounding the existing LRSP arrangements. Under these current arrangements, LRSP costs are included in the GDN allowed revenue through the miscellaneous pass-through term in the GDN licence and flow through to the target revenue described in the charging methodology. LDZ system charges and Customer charges are scaled in the methodology to recover the target revenue.

By introducing a link to valid claims received under Standard Special Condition A48, 0795S creates some uncertainty for 2022/23. The deadline for valid claims in Standard Special Condition A48 is currently 31st October. Therefore, to include the recent SoLR claims in 2022/23 charges, 0795S introduces a reliance on the current licence modification being progressed by Ofgem to change this deadline to 31st December. We believe the current methodology, by not referring to Standard Special Condition A48, is not dependent on that licence change and so allows the GDNs to recover the allowed revenue set by Ofgem inclusive of any SoLR claims, irrespective of whether they are technically valid or not. Therefore, any increase in clarity that this modification seeks to

provide would be best achieved if implementation was delayed to 1 April 2022 to apply to future SoLR claims from that date onwards.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

Since the change introduces a link to valid claims received under Standard Special Condition A48, technically it would not permit recent SoLR claims to be included in 2022/23 charges without the licence change currently being consulted on by Ofgem. In our view, the existing methodology would allow such claims to be recovered provided that Ofgem included the associated revenue in the Miscellaneous Pass-Through allowed revenue term. For this reason, we consider:

- If implementation is delayed to 1 April 2022 to apply only to future SoLR claims i.e. 22/23 charges set based on the current methodology, then we agree with self-governance as the modification will not change arrangements for claims made before.
- If the Panel decision follows the Ofgem licence decision to extend the deadline for SoLR claims to be included in 2022/23 charges, then we agree with self-governance as the modification will not change the new 'current' arrangements.
- If Panel decision is before the Ofgem licence decision to extend the deadline for SoLR claims to be included in 2022/23 charges, then we do not agree with self-governance as the modification would technically disallow recent SoLR claims from being included in 2022/23 charges – whereas, in our view, the current methodology could still include them.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We recommend 1 April 2022 to apply to future SoLR claims from that date onwards.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

None.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

In 11.1, it would be clearer to specify that only LDZ system charges and customer charges are adjusted to allow for the recovery of the specified amounts.

Modification Panel Members have requested that the following questions are addressed:

Q1: The proposer's view is that if 0687V is directed for implementation that this modification should not be implemented. Do you agree with this view?

Yes.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No.

Please provide below any additional analysis or information to support your representation

No.

Joint Office

Enquiries@gasgovernance.co.uk

6th January 2022

Dear Sir or Madam,

Re: 0795S Arrangements for charging for revenue to pay valid Last Resort Supplier Payment claims

Thank you for the opportunity to provide representation on the above noted Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change.

NGN supports this Modification Proposal.

Reason for Support:

We support this Modification Proposal as it adds clarity to the UNC in relation to the current process for Last Resort Supply Claim process by clearly setting out the arrangements following receipt of a valid claim in accordance with Transporter Standard Special Condition A48. Thereby furthering Relevant Objectives c) *Efficient discharge of the licensee's obligations* and f) *Promotion of efficiency in the implementation and administration of the Code*.

Implementation:

What lead-time do you wish to see prior to implementation and why?

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.

Impacts and Costs:

What analysis, development and ongoing costs would you face?

None identified.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the Solution?

We believe that the legal text will deliver the intent of the solution.

Please provide below any additional analysis or information to support your representation

We understand that should either modification 0687V (Creation of new charge to recover Last Resort Supply Payments), or 0797 (Last Resort Supply Payments Volumetric Charges) be approved for implementation, before 20th January 2022, the proposer will withdraw this modification proposal as it will be in conflict with the amendments brought in by these other proposals. Should 0687V or 0797 not be approved by the authority before 20th January 2022, then these may no longer be implementable in time for the Transporter Pricing statements, in which case implementation of this proposal, 0795, to add clarity to the existing process would be beneficial.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

Tracey Saunders (via email)
Market Services Manager (Industry Codes)
Mobile: 07580 215743

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Representation - Draft Modification Report UNC 0795S

Arrangements for charging for revenue to pay valid Last Resort Supplier Payment claims

Responses invited by: **5pm on 11 January 2022**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Dion Tickner
Organisation:	Octopus Energy
Date of Representation:	11/1/2022
Support or oppose implementation?	Oppose
Relevant Objective:	c) None f) None
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

Whilst we are supportive of the intention to provide transparency to Last Resort Supply Payments we are concerned that the pace of this code modification does not allow time for unintended consequences to be fully debated and understood.

In concept this modification will allow suppliers to forecast charges more effectively, which is seemingly beneficial to the LRSP process. However, it opens the door to further debate around how the charges are applied fairly.

Further, suppliers have not had enough time to fully understand how this code mod works in conjunction with existing codes as well as code modifications live or in the pipeline.

Of biggest concern is that through multiple urgent code mods the industry creates a hasty solution that, although may be well intentioned, unfairly impacts consumers.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

Implementation: *What lead-time do you wish to see prior to implementation and why?*

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Modification Panel Members have requested that the following questions are addressed:

Q1: The proposer's view is that if 0687V is directed for implementation that this modification should not be implemented. Do you agree with this view?

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

Please provide below any additional analysis or information to support your representation

Representation - Draft Modification Report UNC 0795S

Arrangements for charging for revenue to pay valid Last Resort Supplier Payment claims

Responses invited by: **5pm on 11 January 2022**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Smitha Coughlan
Organisation:	WWU
Date of Representation:	11/01/2022
Support or oppose implementation?	Support
Relevant Objective:	c) Positive f) Positive
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

WWU supports this Modification as it puts the current arrangement for Last Resort Supplier Payments into the UNC and creates a right to charge for valid Last Resort Supplier Payment claims. The Modification also clarifies the process around SOLR claims and enables users to apply the methodology in the UNC applicable on the date charges are set, regardless of whether the costs were incurred before or after a change was implemented.

Self-Governance Statement: Please provide your views on the self-governance statement.

WWU agrees that this Modification should be considered a non-material change and therefore it is appropriate that it is subject to Self-Governance.

Implementation: What lead-time do you wish to see prior to implementation and why?

Should a decision on other modifications (0687V or 07697) not be made by the 20th January 2022 or a date that allows GDNs to reflect the changes within their final price notice for 2022/23 prices, then the approval of Modification 0795 would put into UNC the current arrangements for charging for SOLR claims and in that case this modification should be implemented as soon as possible.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

None identified. No system change required. Charging methodology will reflect what has been done in prior years.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

We have not identified anything to indicate that the legal text will not deliver the intent of the Solution

Modification Panel Members have requested that the following questions are addressed:

Q1: The proposer's view is that if 0687V is directed for implementation that this modification should not be implemented. Do you agree with this view?

Should there be no direction from Ofgem to implement one of 0687V or 0797 by the time panel considers implementing 0795 then we agree that panel should vote on whether to implement 0795 as the industry requires clarity regarding the basis on how charges to recover revenue to pay valid Last Resort Supplier Payment claims will be set.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No

Please provide below any additional analysis or information to support your representation

Although implementation of this modification would not amend the current pricing process, we draw attention to the restricted timescales that arise from a 20th January 2022 decision by Ofgem on a number of SOLR modifications. Model calculation, data assurance and board sign off usually take a minimum of 10 workings days to achieve. Reducing this timeline increases the risk of material error in our pricing calculations.