






UNC Modification	At what stage is this document in the process?
<h1>UNC 0746:</h1> <h2>Application of Clarificatory change to the AQ amendment process within TPD G2.3 from 1<sup>st</sup> April 2020</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>Following the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 this modification applies the change to all relevant transactions which occurred from 1<sup>st</sup> April 2020</p>	
	<p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> <li>subject to Authority direction due to its materiality</li> <li>assessed by a Workgroup</li> </ul>
	<p>High Impact: Shippers</p>
	<p>Medium Impact: Transporters</p>
	<p>Low Impact: Customers</p>

Contents		 Any questions?
1	Summary	3
2	Governance	4
3	Why Change?	4
4	Code Specific Matters	5
5	Solution	5
6	Impacts & Other Considerations	5
7	Relevant Objectives	8
8	Implementation	8
9	Legal Text	9
10	Recommendations	9
Timetable		 0121 288 2107
The Proposer recommends the following timetable:		Proposer: <b>Steve Mulinganie</b>
Modification consideration by Panel	17 September 2020	 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
Initial consideration by Workgroup	24 September 2020	 <a href="mailto:steve.mulinganie@gazprom-energy.com">steve.mulinganie@gazprom-energy.com</a>
Workgroup Report presented to Panel	15 April 2021	 07517 998178
Draft Modification Report issued for consultation	15 April 2021	Transporter: <b>Guv Dosanjh</b>
Consultation Close-out for representations	10 May 2021	 <a href="mailto:Gurvinder.Dosanjh@cadentgas.com">Gurvinder.Dosanjh@cadentgas.com</a>
Final Modification Report available for Panel	12 May 2021	 07773151572
Modification Panel recommendation	20 May 2021	Systems Provider: <b>Xoserve</b>
		 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>

# 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. This is intended to cover exceptional circumstances where a "new" Shipper takes over a site and needs to take corrective action.

2.3.20 The Registered User may request a change in the Annual Quantity of a Supply Meter Point on the grounds that the most recently calculated Annual Quantity does not reflect the expected (seasonally adjusted where relevant) consumption of gas over the 12 months following the date of the request due to an eligible cause which occurred after the Read Date of the AQ Opening Reading used in the most recent calculation of the Annual Quantity.

2.3.21 For the purpose of paragraph 2.3.20 "eligible cause" means:

- (a) the confirmed theft of gas (which resulted in the metered consumption in the AQ Metered Period at the Supply Meter Point being less than the actual consumption);
- (b) the installation, replacement or removal of Consumer's Plant which results in a material change in the basis on which gas is consumed; or
- (c) the commencement of a new business activity or discontinuance of an existing business activity at the consumer's premises.

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/s3fspublic/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf>

However, we have seen a large-scale utilisation of this process as identified in the NTSCMF (see below)

Report measures the count of Shipper Portfolio of MPRNs where AQ Correction process Used

Changes in total number of AQ corrections used

Reason Code 01-

Confirmed Theft

↑ 1 Monthly Change

↓ 1 Annual Change

Reason Code 02- Change in

Consumer Plant

↑ 13674 Monthly Change

↑ 15608 Annual Change

Reason Code 03- Commencement  
of New Business

↑ 1756 Monthly Change

↑ 1760 Annual Change

Reason Code 04-  
Tolerance Change

↑ 152 Monthly Change

↑ 225 Annual Change

We would note that these changes were undertaken at the same time as the industry was seeking to collectively address the adverse impacts of COVID-19. The industry changes relating to the ability to amend customers AQ's and SOQ's (Mod 0721 (Urgent) - Shipper submitted AQ Corrections during COVID-19 & Mod 0725 (Urgent) Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) During COVID-19) were rejected by Ofgem.

This Modification seeks to apply the changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 retrospectively from the 1<sup>st</sup> April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User.

## Why

This Modification seeks to apply the changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 retrospectively from the 1<sup>st</sup> April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User.

## How

This change will also apply retrospectively from the 1 April 2020 thus addressing thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User.

## 2 Governance

### Requested Next Steps

This Modification should be:

- Considered a material change and subject Authority Consent
- Assessed by a Workgroup

### 3 Why Change?

This Modification seeks to apply the changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 retrospectively from the 1<sup>st</sup> April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User.

### 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/s3fspublic/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf>

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

#### Knowledge/Skills

None required.

### 5 Solution

#### Business Rules

**Business Rule 1:** The changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 will be applied retrospectively in relation to AQ amendments using reason code 3 which became effective between 1 April 2020 and 14th January 2021

**Guidance:** All relevant AQ amendments using business code 3 between 1 April 2020 and 14 January 2021 will be considered in accordance with Mod 0736S i.e. that the relevant Shipper warrants it did not pick up the MPRN from the same affiliate group when it undertook an AQ amendment using reason Code 3.

**Guidance:** For reference the relevant sections of TPD 2.3.24 are set out below

2.3.24 A User may only give notice requesting a change in the Annual Quantity of a Supply Meter Point under paragraph 2.3.20 for an eligible cause under paragraph 2.3.21(c) where the following conditions are satisfied:

(a) the notice is given submitted no later than three (3) months after the Supply Point Registration Date; and

(a)(b) the User has submitted a notification under paragraph 2.3.30;

(c) the User was not, prior to the Supply Point Registration Date, and the Existing Registered User for of the Supply Point in which the Supply Meter Point is comprised is neither

(i) the User submitting the request for a change in the Annual Quantity; or

(b)(ii) a 25% Affiliate of such User.

**Business Rule 2:** The CDSP will in relation to all changes in scope of BR1 require the relevant User to warrant to the CDSP within 20 Supply Point Business Days of a request from the CDSP, which shall be submitted as soon as reasonably practicable following implementation, that all AQ amendments using reason code 3 undertaken in accordance with BR1 were compliant with the requirements of TPD G 2.3.24(c)

**Guidance:** The CDSP will request require the relevant Shipper to confirm within 20 Supply Point Business Days of notification that any AQ amendments using reason code 3 made between the 1st April 2020 and the 14 January 2021 comply with the requirements of UNC 0736S

**Business Rule 3:** If the User fails to submit a response in accordance with BR2 or does not warrant that that all AQ amendments using reason code 3 undertaken in accordance with BR1 are compliant with the requirements of TPD G 2.3.24(c) then for those AQ amendments where either the User fails to submit a response or confirmation of compliance with BR1 is not received then TPD 2.3.31 will apply and the relevant AQ amendment using reason code 3 shall be deemed to not have applied and any avoided costs will be recovered by the CDSP. The period of adjustment will be defined from the date the AQ amendment became effective until such time that that AQ (which determines the Transportation Charges e.g. for Class 3 and 4 sites the FYAQ and for Class 1 and 2 sites the AQ (Rolling) is revised (please note a revision to the FYAQ for Class 3 and 4 sites should be considered the end of the period of adjustment other than where a revision of this value is a result of the Applicable Demand Model determining Seasonal Normal Demand), or there is a Change of Shipper or in the event neither of these activities have occurred, the date of implementation of this modification.

**Guidance:** If the Shipper confirms the relevant AQ amendment was not done in accordance with 0736S or fails to submit a response within the 20 Supply Point Business Days window then the CDSP will recover any avoided costs. The period of recovery will be from the date the AQ amendment became effective until one of the following: –

The earliest date of any subsequent AQ revision to the AQ which determines the Transportation Charges e.g. for Class 3 and 4 sites the FYAQ and for Class 1 and 2 sites the AQ (Rolling). Please note a revision to the FYAQ for Class 3 and 4 sites should be considered the end of the period of adjustment other than where a revision of this value is a result of the Applicable Demand Model determining Seasonal Normal Demand.

The earliest date at which a CoS event occurred

Or in the absence of the above the date of implementation of this modification

**Business Rule 4:** Where a relevant Supply Point AQ which determines the Transportation Charges e.g. for Class 3 and 4 sites the FYAQ and for Class 1 and 2 sites the AQ (Rolling), has not been revised subsequent to the AQ Correction determined as invalid by BR2, either by AQ calculation (in accordance with G2.3) or amendment (in accordance with G2.3.20) (please note a revision to the FYAQ for Class 3 and 4 sites should be considered the end of the period of adjustment other than where a revision of this value is a result of the Applicable Demand Model determining Seasonal Normal Demand), and it remains in the portfolio of the Shipper which carried out such erroneous AQ amendment (in contravention of G2.3.24.c ii), then Xoserve will have the vires to amend the AQ back to the value prior to the erroneous AQ amendment.

**Guidance:** This allows the CDSP the vires to amend an erroneous AQ

## 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**

This Modification seeks to apply these arrangements retrospectively from the 1 April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User which will ultimately be borne by consumers of other Users.

### **Cross Code Impacts**

No impact

### **EU Code Impacts**

No impact

### **Impacts and other considerations continued**

### **Central Systems Impacts**

A change will be required to identify the AQ corrections in question and a process implemented to manage these depending on their circumstance. A DSC Change Proposal has been raised to deliver the solution for Modification 0746 (XRN5286).



## 7 Relevant Objectives

Impact of the modification on the 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"> <li>(i) no reserve price is applied, or</li> <li>(ii) that reserve price is set at a level - <ul style="list-style-type: none"> <li>(I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and</li> <li>(II) best calculated to promote competition between gas suppliers and between gas shippers;</li> </ul> </li> </ul>	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	Positive
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

### Relevant Charging Methodology Objective

We believe the proposal is positive in respect of Relevant Charging Methodology Objective (C) as by applying these arrangements retrospectively from the 1 April 2020 and remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User which will ultimately be borne by consumers.

It further improves cost reflectivity of capacity charges by better aligning them with a customer's actual system usage, thereby furthering competition between Shipper and Suppliers.



## 8 Implementation

We are not proposing a specific implementation date, but it would be beneficial to implement the change as soon as authority direction has been received.

## 9 Legal Text

Legal text is to be provided.

## 10 Recommendations

### Proposer's Recommendation to Workgroup

- The Workgroup is asked to assess this Modification.