

UNC Final Modification Report	At what stage is this document in the process?
<h1>UNC 0658 (Urgent):</h1> <h2>CDSP to identify and develop improvements to LDZ settlement processes</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 01 Modification </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>To authorise the CDSP to assign resources and incur costs related to a task force to investigate the causes and influencers of Unidentified Gas (UIG), with a target of reducing the volatility and scale of UIG and developing a robust predictive model for daily UIG for use by all parties.</p>	
	<p>The Panel recommends implementation</p>
	<p>High Impact: Shippers, CDSP</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: Transporters, DMSP</p>

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Timeline		
Modification timetable:		UKLink@xoserve.com
Modification issued for consultation	08 June 2018	Other: Gareth Evans
Consultation Close-out for representations	18 June 2018	
Final Modification Report available for Panel	19 June 2018	gareth@waterswye.co.uk
Modification Panel decision	21 June 2018	 07500 964447

1 Summary

What

Since the implementation of Project Nexus the accuracy of the LDZ settlement regime has been identified as a primary cause of the large volumes and volatility of UIG being experienced in the market. The accuracy of the NDM estimation algorithms has been identified as a particular area of concern. Since Project Nexus implementation in June 2017, there has been a fragmented approach to UIG investigations and this has not delivered any noticeable improvements in daily UIG levels, as evidenced by the continuing level and volatility of national and LDZ UIG. Investigations and discussions have taken place in multiple industry committees including DESC (Demand Estimation Sub-Committee), PAC (Performance Assurance Committee), UNC Workgroups, including Distribution and UIG, and under the banner of a number of individual UIG related UNC Modifications. A new, centralised and more focused approach is required, with the CDSP empowered to take on a leadership role on behalf of the industry which would enable them to proactively address the problem in a more controlled manner.

Why

The ongoing level, volatility and unpredictability of UIG is causing considerable commercial difficulty to Shippers across both domestic and non-domestic sectors. Workgroups and industry committees are demanding considerable resource within Xoserve. Impacts are being felt before and during the Gas Day in procurement decision-making, after the Gas Day in Energy Balancing costs, and beyond D+5 close-out in extended reconciliation periods which create the need for Shippers to account for UIG until eventually reconciled. The timing and extent of the eventual reconciliation is still not quantified or understood. This is leading to a detrimental impact on consumers with additional cost and risk premia.

There needs to be a step-change in the focus and level of investment in investigative and corrective analysis. If not then this situation will persist and the severe commercial issues will not be resolved. The CDSP are uniquely positioned to lead this work and should not be constrained by industry committees which are diverting valuable CDSP resource.

Following Ofgem's indication that they are minded to reject UNC Modifications 0642, 0642A and 0643, it appears that the current post Nexus business rules will remain in place for the foreseeable future and therefore the industry needs to urgently take pro-active steps to make the existing arrangements work better for all parties and the CDSP is the optimal body to lead this piece of work

How

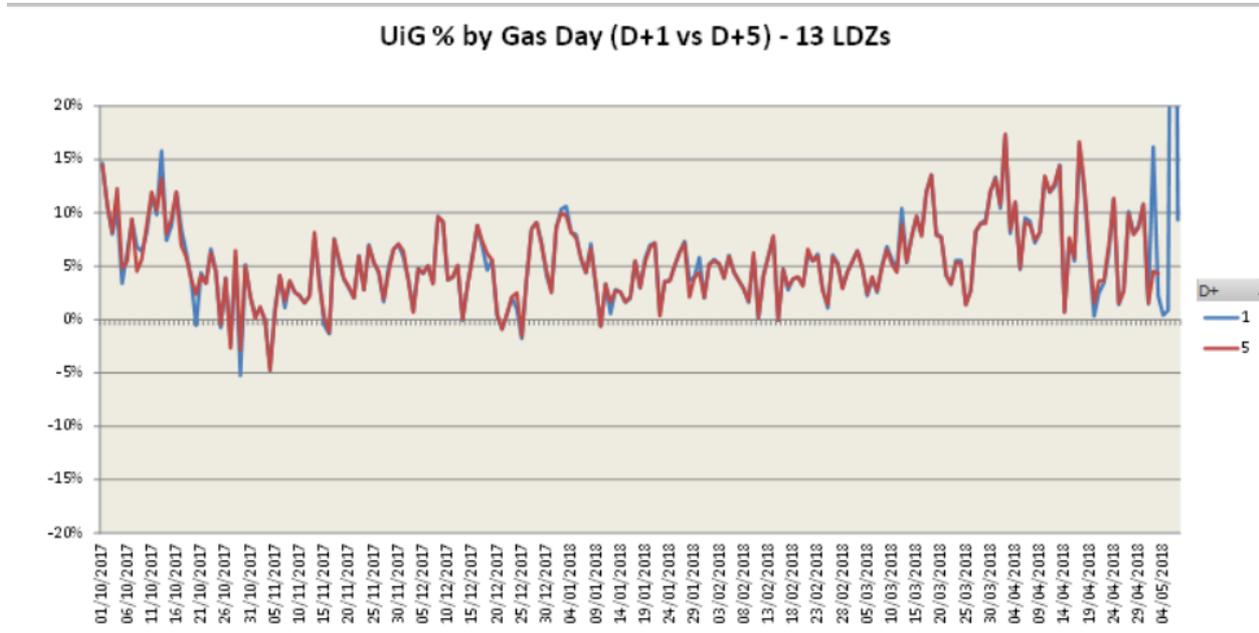
This modification proposes that the CDSP will be given the mandate to assign resources to a CDSP task force to investigate the causes and influencers of UIG, with a target of reducing the volatility and scale (absolute levels) of UIG and developing a robust predictive model for daily UIG for use by all parties.

This CDSP task force would identify process and system improvements that would be effective in reducing UIG levels and volatility. The CDSP would be asked to develop clear solutions that could either be implemented directly or, where necessary, would be sponsored by the industry through UNC modifications that would be taken forward through existing UNC rules and change management bodies.

2 Governance

Justification for Authority Direction

The material impact of the UIG problem was estimated in UNC Modifications 0642 & 0643 as of December 2017 averaging around 4.65% with a cost of around £18m a month. The latest information published by Xoserve on 11th May 2018 demonstrates that the volatility has not reduced:



It is clear that the material impact of UIG has not diminished since December and so this modification requires authority decision and should follow an Urgent timetable. The inequitable allocation of costs from the settlement error is around £13.5m a month or over £160m a year. This issue has a clear and material impact on the market and competition.

In light of this we believe that this modification satisfies the Ofgem urgency criteria as it attempts to address the current problems of UIG, which is a current issue that if not urgently addressed will continue to cause a significant commercial impact on parties, consumers and other stakeholders.

The UNC Modification process was chosen in preference to the DSC change process, due to the materiality of the UIG issues being addressed.

Requested Next Steps

This modification should:

- be treated as urgent and should proceed under a timetable approved by the Authority.

The Authority agreed that this modification should be treated as Urgent and approved a timetable in its decision on urgency letter dated 08 June 2018.

3 Why Change?

The industry has expended significant time and effort since Project Nexus go-live in attempting to understand the causes of the highly volatile and unpredictable UIG volumes being experienced in the market.

Though there have been a number of industry initiatives to try and address this issue, they have been raised in an uncoordinated manner, without full understanding as to their likely effectiveness and whether they represent the optimal and complete solution. The inability to properly evaluate the suitability of some of the more complex solutions that have been proposed is primarily due to a lack of focus by those individuals from various parties with detailed knowledge of the workings of the LDZ settlement regime. The industry has so far failed to implement solutions that address the fundamental causes of inaccuracy in the existing regime.

The issues around UIG are affecting all industry parties commercially, through uncertainty of daily quantities, fluctuating buying signals, and increased resources required to manage daily UIG. Whilst the primary burden falls on Gas Shippers, many other parties are also reporting adverse effects including Traders, Suppliers, Consumers, Transporters, DMSPs and the CDSP.

CDSP expert resource needs to be optimised to allow a more efficient focus on this area, and there needs to be a single impartial and independent central point of management of the investigation and resolutions. The only organisation that can realistically undertake such an assessment is the CDSP as they currently operate the LDZ settlement regime on behalf of the industry.

Delivery route

The CDSP would only be able to effectively undertake this work to the level required if it had an explicit requirement to assign resource to a dedicated task force with the remit to propose solutions that would be implemented directly by the industry or taken forward through the UNC modification process. None of the existing mechanisms for contract management of the CDSP have the powers to organise and run such a significant piece of work and the CDSP are uniquely placed to take the lead in improving the UIG situation. For the avoidance of doubt this modification proposes changes to the CDSP Service Document in line with provisions in the CDSP service document change management procedures, which allow for changes to the DSC through the UNC Modification Rules.

4 Code Specific Matters

Reference Documents

NDM demand estimation methodology, though as this modification simply requires the mobilisation of a UIG Task Force and proposed solutions to be developed by the CDSP, no changes to any existing Code documents will be progressed via this change.

Knowledge/Skills

We are confident that the CDSP can manage their resource requirements appropriately, contracting with third parties for additional support if it feels that is required. In addition, the use of CDSP resources in a more centralised manner will mean a more holistic and centralised approach, so discouraging multiple and conflicting modifications.

5 Solution

This modification proposes to create a new Service Line in the Service Description Table to investigate causes and contributors to levels and volatility of Unidentified Gas. The purpose of the investigation is that the CDSP is to:

- make recommendations to allow actions to be taken that aim to reduce levels of Unidentified Gas to less than 4% of LDZ by 31st December 2018, and
- report on absolute levels and propose measures which aim to reduce variation of Unidentified Gas to plus/minus 0.5% of absolute levels by 31 October 2019 and

The CDSP is to undertake the investigation and report to the industry in a transparent manner and at regular intervals with a centralised industry UIG plan.

Any activities being undertaken at other industry committees could continue but the priority of Xoserve expert resource with regard to UIG investigations would be assigned to the centralised programme. This would give a single, efficient area of focus and prevent conflicts in interests or priorities across multiple parties in multiple committees. For the avoidance of doubt, any existing UNC modifications would continue and would not be impacted by the establishment of the CDSP UIG Task Force.

Xoserve shall brief the whole industry on its progress at regulator intervals (at a minimum monthly) to determine progress made what UNC/DSC changes might be required to achieve the targets (for the avoidance of doubt this would include detail on specific code and system changes required) and whether any refinement is needed in light of new information. The CDSP could request information directly from industry participants (or request this information through Ofgem) where information is required to support its work.

Industry parties (Shippers, Transporters, IGTs) would be required to use all reasonable endeavours to provide the CDSP with all and any data requested in a very timely manner to complete the analysis required to meet the desired outcomes.

For the avoidance of doubt the CDSP will seek to undertake this work independently and will solely determine its engagement strategy and any updates to any market forums. To preserve the impartial nature of the process, there will be no form of industry steering group. Xoserve will recommend to the industry the timing of the closure of the investigation.

6 Impacts & Other Considerations

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

No applicable.

Consumer Impacts

None, though it is expected that this modification will highlight a series of solutions that can be progressed by the industry that will have a beneficial impact on the market by improving settlement accuracy and reducing UIG.

Cross Code Impacts

None

EU Code Impacts

None

Central Systems Impacts

None, as a direct consequence of this modification, although it is anticipated that the work will identify a series of changes to central systems, but these will be progressed via subsequent changes.

Cross Code Impacts

None identified.

EU Code Impacts

None identified.

Central Systems Impacts

None identified.

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

Understanding the current accuracy of the LDZ settlement regime and the root causes of UIG volatility will give Shippers a greater level of understanding of the source and materiality of costs arising from supplying LDZ customers and so promote competition. In addition, the proposed solutions to the issues identified will also further competition.

8 Implementation

No specific timeline is proposed. However, owing to the excessive costs being incurred in the market by the current levels of volatility this modification needs to be implemented as soon as possible.

9 Legal Text

Text Commentary

Not required.

Text

Not required.

10 Consultation

Panel invited representations from interested parties on 08 June 2018. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 17 representations received 10 supported implementation, 3 offered qualified support, and 4 provided comments.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
BUUK	Qualified Support	d - positive	<ul style="list-style-type: none"> Supports the need to appropriately address the increasing UIG issues, and acknowledges the ongoing level, volatility and unpredictability of UIG is causing considerable commercial impact on the industry. Agrees that an alternative approach to the one currently adopted is required to appropriately address UIG and therefore protect the end consumer. Under the DSC charging arrangements Shippers are currently picking up 100% funding of the change, what is not clear is whether this constituent will also fund the creation of the taskforce and any enduring costs? Further to this, as a change is currently progressing under the

			<p>DSC it is questioned whether a modification is wholly required.</p> <ul style="list-style-type: none"> • Is concerned that as an Independent Gas Transporter they are not directly impacted by UIG and therefore at this time cannot see any value in participating in the taskforce. On this basis it would seem unreasonable to incur any costs where they cannot influence the solution. However, if justifications are made for the inclusion of Independent Gas Transporters in the taskforce, they would need to consider whether there are indeed any benefits. • Is keen to understand the funding mechanisms of the taskforce. They would request the Authority consider whether the current funding arrangements under the DSC for addressing UIG are still appropriate. • Would be concerned should they be expected to contribute to the cost of resolving an issue where they have no ability to influence the solution. • Is satisfied the current legal text meets the requirement of the modification.
Cadent	Support	d - positive	<ul style="list-style-type: none"> • Is sympathetic to the solution identified within the Modification. UIG and its detrimental effects on UNC processes is a major industry concern and the measures proposed offer a pragmatic opportunity for Xoserve (supported by the industry) to undertake an in depth, fully informed investigation. • This Modification can be implemented with immediate effect subject to the deliberations of and any pre-requisites identified by the DSC Change Management Committee. • Notes that the activity is proposed to be 100% Shipper funded under DSC charging arrangements. • The Modification facilitates inclusion of a new Service Line in the Service Description Table (Annex A) of the DSC Service Document - CDSP Service Description. Cadent has provided the relevant DSC text. • Reflects that the relevant legal text changes would need to be made to the Data Services Contract rather than the UNC. • Notes that it is possible that the relevant changes to the DSC could be expedited under the DSC Change Management Procedures and given the presence of Change Proposal XRN46951 an element of 'dual governance' presently exists. However, given the high industry profile of the UIG concerns, together with the

			<p>significant impact on customers, understands why on this occasion the UNC Modification route (which is also permitted by the above procedures) has been preferred. Notwithstanding the above, they are aware that the measures proposed within the Modification are subject to scrutiny and discussion within the DSC Committee and a number of actions have been identified to progress the solution.</p> <ul style="list-style-type: none"> • Subject to the completion of these, it is possible that a DSC Committee decision on implementation of the DSC changes might be forthcoming ahead of a decision on the UNC Modification albeit this seems unlikely given that Urgent procedures apply.
Centrica	Qualified Support	d - positive	<ul style="list-style-type: none"> • Supports the activities currently being progressed by the CDSP to assign resources to investigate the issues currently being faced associated with the volatility of UIG. • Notes that DSC change 'XRN4695 – Investigating causes and contributors to levels and volatility of UIG is currently being progressed through the DSC change process and there appears to be some industry confusion associated with the progression of this modification at the same time. • Whilst supporting the objectives of this proposal, they do not believe that it is required to achieve the purpose of the modification. Has concerns with the proposed solution which specifies potential reduced levels of UIG and target dates for delivery. Would prefer if the CDSP were tasked to provide the industry with an early, informed view as to how long their investigations may take to conclude. The opportunities available to reduce levels of UIG will only be known once the CDSP activity has concluded, therefore whilst they support the aim to reduce absolute levels of UIG, assigning a target at this stage is not practicable. • The work being progressed by the CDSP via XRN4695 will provide a view on the costs associated with this activity back to the DSC Change Committee over the next few weeks. Existing governance arrangements will review and approve development costs associated with the CDSP task force as appropriate.
Corona Energy	Support	d - positive	<ul style="list-style-type: none"> • Believes that the current UIG arrangements are not fit for purpose and require reform following the implementation of Project Nexus. The current approach to UIG change appears to take a piecemeal approach, where small areas are subject to change without looking at the entirety of the UIG process.

			<ul style="list-style-type: none"> • Supports UNC 0658 as Xoserve, as the central industry body that has view of all the data involved, to undertake a wholesale review of UIG arrangements and provide a wider solution to the issues currently facing the industry. Additionally, in light of Ofgem’s recent minded-to letter indicating a likely rejection of UNC0642 and UNC0643, they believe that an interim solution is required alongside this proposal to ensure that the time taken for Xoserve to complete their review does not end up being costly to Shippers and end-user customers. • In light of the costs currently involved in current UIG arrangements they wish to see an implementation as soon as possible.
E.ON	Comments	No response	<ul style="list-style-type: none"> • Supports the intention of the Modification although they are unsure if this is urgent or even a modification. The current pressures associated with UIG mean that work by the CDSP is required but they are unsure what legal text and requirements or business rules would be applied into the UNC to deliver the solution provided. The service line addition should be for the DSC agreement rather than a modification. • Under the DSC arrangements XRN 4695 was approved into the change process by the Change Management Committee on 13/06/18, this allows the CDSP to begin the work required and either this XRN or subsequent ones could be used to deliver the same outcome as this modification. • Supports getting into the detail of UIG to understand how it is caused and what the associated issues are, however, is not sure this Urgent Modification is necessary, but supports any activity the CDSP does which limits the impacts to Shippers. • Are concerned that it has taken this amount of time to mobilise a task force and although the CDSP have been working hard during this time, they understand the approach taken in raising this urgent modification. • The CDSP does have requirements through DESC to conduct the task force recommended activities, so, to have to establish a task force shows the intensity of the issues, however, what compounds the issues are the system constraints which the CDSP has, it doesn’t appear to allow for agile changes in this area, even though the DESC remit allows for it. • Currently discussions look at the start gas year 2019 as the implementation date, meaning that this issue will have

			<p>taken over 2 years (if it is that date), this is neither great for the CDSP nor its customers.</p> <ul style="list-style-type: none"> • Would like to see (with via the modification or via the DSC) is the clear CDSP commitments, firm milestones and a plan on how to get to where the industry needs to be. This needs to be done collaboratively to achieve success. There will always be some form of volatility due to the nature of the market, but, the current situation is just not sustainable. • If robust legal text can be developed and is approved by the authority they support the mobilisation as soon as possible. • Continuing to see UIG costs and they would see additional CDSP costs to deliver the ‘task force’ activities. They are unsure what costs may follow as it will all be determined on the outcome of the work conducted by the CDSP. • Although no UNC text was provided, they agree with the service line wording.
EDF Energy	Support	d - positive	<ul style="list-style-type: none"> • Supports the modification due to the ongoing level, volatility and unpredictability of UIG which causes considerable commercial difficulty to Shippers. • Recommend this is implemented as soon as reasonably possible as they see the benefits of a new, centralised and more focused approach, where the CDSP is empowered to take on a leadership role on behalf of the industry. This would then enable the CDSP through the implementation of a task force to proactively address the problem in a more controlled manner. • Do not see any direct costs as a consequence of this modification. However, as the task force identifies possible changes, this may result in costs, where impacted parties should be consulted using the current processes. • While this modification does not directly carry costs, the additional service line within the DSC will be funded according to the DSC rules, therefore leading to increased Shipper costs. Welcomes the work from the CDSP, however, based on discussions at Change Management Committee to date, believes any changes are likely to come at significant cost. Therefore, it is vital that changes are subject to the correct governance and address the issues in a positive manner for all parties.

<p>ESP Utilities</p>	<p>Qualified Support</p>	<p>d - positive</p>	<ul style="list-style-type: none"> • Supports mandating the CDSP to assign resource to a dedicated task force. ESP also supports the aim of this task force, who will look to take positive action to reduce the volatility and scale of UIG in the UK market. • Is concerned the proposal has not included sufficient detail as to which parties the CDSP expects to recover the task force costs from, or an estimate of what these costs could be. Understands the intention is for the CDSP to recover costs incurred from Shippers, this has not been explicitly stated in the modification. IGTs are not directly impacted by UIG, and as such, would not have the ability to influence solution/s proposed by the task force. Believes that the funding should be sourced from those parties who are directly impacted, and support this proposal on that basis. • Agrees with the Modification that the high value of the issue requires a solution to be implemented quickly. • Has reservations in regards to contributing to the cost of resolving an issue where the solution has no impact to them. • Is satisfied with the text to be added to the CDSP service document. • Has noted that the task force is targeted to reduce UIP to below 4% per LDZ by the end of Q4 2018, but gives no indication of what should happen should that target not be achieved.
<p>Gazprom</p>	<p>Support</p>	<p>d - positive</p>	<ul style="list-style-type: none"> • UIG remains a critical issue for Shippers, Suppliers and Customers with significant and detrimental scale and volatility arising since Nexus Go Live. It is currently impossible to predict the level of daily allocations leading to collective industry costs now running into tens of millions of pounds each month. • These additional costs to Shippers directly impact upon risk premiums, cost to serve and cash flow which ultimately negatively impact competition. Following a number of urgent initiatives to address this issue which have not, to date, found regulatory approval this modification gives a clear mandate to the CDSP to take a leadership role in addressing the Scale, Volatility and Shoulder month impacts of UIG. • It provides Xoserve with the vires to take decisive and timely action to address this industry wide problem. • Did not identify any significant costs associated with the

			<p>modification.</p> <ul style="list-style-type: none"> • Expect the modification to be implemented immediately to minimise any further delay in tackling this critical industry issue.
ICoSS	Support	d - positive	<ul style="list-style-type: none"> • UIG is a pressing industry problem for all shippers representing a significant collective cost running into the millions each month. The volatility of UIG allocations on the day is currently impossible to predict and shippers are required to continually adjust their positions in the market to try and counter unpredictable swings in their wholesale allocations. This adds considerable costs to all shippers and impacts smaller organisations particularly who are unable to be out of balance as that will impact their credit positions. Despite being over a year from Project Nexus being implemented, the level of volatility of UIG has not decreased (as indicated by Xoserve’s latest UIG calculation). • Supports the modification as it provides a clear mandate to Xoserve to undertake this work using its unique knowledge and understanding of the market to get to the heart of the issue and to propose clear and effective changes that will materially improve the current situation. • Feels that clear targets will ensure that Xoserve fully concentrates on determining how to achieve the greatest reduction in UIG volatility and materiality in the shortest possible time and so support their inclusion in any service requirement. • Believes it is appropriate that Xoserve conduct this work independently so that it can fully concentrate on determining an appropriate solution without having to address shipper concerns. • In order to ensure that there is no further delay in commencing this critical piece of work, they believe it should commence immediately and hence this modification should be implemented as soon as possible. • ICoSS members will experience little direct cost from this modification as it simply directs the CDSP to undertake the work required.
Npower	Comments	d - positive	<ul style="list-style-type: none"> • Given the continuing UIG issues experienced by all shippers, supports the intent and desired outcome of the modification, but is unconvinced that a modification is required in this instance. Notes that the CDSP has created a change proposal for focussed work of this type, and this has been discussed in the DSC Change

			<p>Management Committee. Given that the modification proposal allows a degree of flexibility for the CDSP to undertake this work, it's not clear that anything additional would be gained by altering the CDSP Service document through UNC modification to allow this work to go ahead.</p> <ul style="list-style-type: none"> • Believes that the existing DSC service structure will allow the CDSP to undertake this work, with any third party support it feels is necessary, and with the appropriate degree of industry visibility and scrutiny. Is uncertain that this modification is needed at the current time, they support the aims of the proposal and welcome the activity and discussion that the modification proposal has generated. • Would like to see the work commence as soon as is practical. • Additional shipper costs through the DSC route, which could be assessed and scrutinised through the relevant forums.
Opus Energy	Support	d - positive	<ul style="list-style-type: none"> • The current volume and unpredictability of UIG makes it difficult for Shippers to accurately calculate how much gas they should purchase in order to balance their positions. Given the materiality of this issue, they consider that, rather than the current fragmented approach, a step-change in focus and level of investment for UIG investigations is needed in the form of a task force and that the CDSP are best positioned to lead this work. This will provide resources to investigate the root causes of UIG, with a target of reducing its volatility and scale. • Agree with the urgent status of this modification, given the materiality of current levels of UIG. The establishment of a task force has no systems implications and so any lead times following approval can be short. • A well-coordinated and successful task force should lower costs across the industry. Would face no direct development costs.
Orsted	Support	No response	<ul style="list-style-type: none"> • In Ofgem's recent impact assessment for modifications UNC 0642/0642A/0643, Ofgem has stated their minded to position is to reject all three modifications. If light of this, there is an urgent requirement to identify and target the root causes of UIG volatility. • Supports the proposal for the CDSP to independently lead this work through a dedicated task force to provide recommend solutions to bring reductions and improvements to the current situation.

			<ul style="list-style-type: none"> The proposed solution requires no changes to central systems; therefore, work can commence immediately.
Scottish Power	Support	d - positive	<ul style="list-style-type: none"> • UIG is a significant exposure for all shippers due to size and volatility. • Daily volatility presents material uncertainty in forecasting UIG. This is compounded by Within Day and Day Ahead uncertainty in Nominations which further contributes to trading uncertainty. And after the Gas Flow Day, the Allocation and subsequent amendments cause further movements in financial commitments that cannot easily be forecast. • To date the industry's efforts have been piecemeal and relied on individual parties making proposals. Some of these proposals sought to mitigate the effects on the raising party rather than resolve the underlying causes; whilst others have limited impact on only some of the underlying causes. • Feels that, to develop root cause solutions, the issue requires: <ul style="list-style-type: none"> i) a centrally coordinated approach; and ii) analysis of market-wide allocation and amendments for all segments; and iii) a structured evaluation of the list of potential underlying causes that already exists. • Speed of response is critical before confidence in, and reputation of, industry gas settlement is further damaged. • Supports the dedication of well-managed, capable and motivated central resources for a limited period. • Believes that individual solutions should be implemented as soon as they are available to avoid a 'convoy programme' that moves at the pace of the slowest solution, whilst giving regard to any inter-dependencies / unintended consequences. • The proposal does not state what the budget would be for a dedicated resource so cannot assess any cost impacts. • The additional service line seems a reasonable approach. • As drafted the proposal allows Xoserve to allocate an unconstrained and undefined resource to the UIG Task Force. Feels this is an over-sight borne of enthusiasm rather than mischief, and would not constitute good governance of industry costs. • There needs to be effective over-sight while giving CDSP scope to innovate and without constraining its creativity

			<p>proposes that an effective light-weight Governance regime should be adopted.</p> <ul style="list-style-type: none"> • This should be carried out via a small Advisory Group with selected membership of shippers (between 5 and 7 members maximum). • The proposal requires Xoserve to make recommendations to allow UIG to be reduced to <4% of LDZ by 31 December 2018, but stops short of making that figure a target which are therefore apparently aspirational rather than an obligation. • Would like to see the target in the Task Force's Terms of Reference and preferably as an obligation on Xoserve to maintain UIG within certain tolerances.
Scotia Gas Networks	Comments	d - positive	<ul style="list-style-type: none"> • Supports the resolution of UIG as an industry priority. However, notes that XRN4695 is currently progressing through Xoserve DSC Change Management procedures as a restricted Shipper Class proposal and as such they do not consider that a UNC modification is required as this will achieve the same goal when delivered. • If this modification is approved then the implementation should be as soon as possible.
SSE	Support	d - positive	<ul style="list-style-type: none"> • Supports this modification as UIG has been a major issue for Shippers since the implementation of Project Nexus, with both the levels and volatility of UIG not showing any significant signs of improvement, despite a number of initiatives being taken in order to lessen its impact. Therefore, much deeper investigative work is required to get to the root of the reasons, in order to determine why UIG is remaining so high and unpredictable, so that proper remedial measures can be put in place by the Industry. • This modification should be implemented as soon as possible. • Notes that any actions resulting from investigations into the causes of UIG may result in costs.
Total Gas & Power	Support	d - positive	<ul style="list-style-type: none"> • UIG is a very significant issue for shippers and consumers and this proposed approach would give a more co-ordinated and focussed approach to identifying and proposing solutions to improve the situation. It is an enabling modification to provide the CDSP with the mandate and appropriate funding and so they believe it could be implemented fairly quickly to allow the identification of issues and solutions as soon as possible.

			<p>The modification does not impact the progression of any existing modifications and may give rise to new modifications to effect improvements and therefore does not bypass established industry processes.</p> <ul style="list-style-type: none"> • Would like to see this implemented ASAP as there are very significant industry costs associated with high and volatile UIG. • Does not anticipate the costs to be significant in comparison with industry costs associated with UIG. • Appreciate that this modification solution is also progressing through the DSC Change Management Committee route and should it reach an equivalent and successful conclusion through that route sooner than this modification is implemented, then would consider withdrawing this UNC modification as it would no longer be necessary.
Wales & West Utilities	Comments	d - positive	<ul style="list-style-type: none"> • Does not believe that this modification is required; however, they support what it proposes and understand why it was raised. The reason it is not required is that the CDSP has moved very quickly to facilitate raising a change proposal and the Data Services Contract (DSC) Change Management Committee approved XRN4695 “Investigating Causes and Contributors to Levels and Volatility of Unidentified Gas”, during the consultation period for this modification. The effect of the modification would be to increase the priority of the DSC change but this is already being given high priority by the CDSP. In the light of this they suggest that the proposal should be withdrawn. • There is no UNC legal text although there is legal text to change the Data Services Contract which can be done by UNC modification. Nevertheless, this will be accomplished by the aforementioned DSC change.

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 0658 would authorise the CDSP to investigate the causes and influencers of Unidentified Gas (UIG), with a target of reducing the volatility and scale of UIG and developing a robust predictive model for daily UIG for use by all parties.

Members considered the representations made noting of the 17 representations received, 10 supported implementation, 3 offered qualified support, and 4 provided comments.

When asked, the CDSP confirmed that the change would be 100% shipper funded. The creation of the taskforce also falls under the same service line and thus would be 100% shipper funded.

Some Panel Members expressed concern that this Modification is under dual governance (UNC and DSC), which is not good use of industry time and resources. The Urgent status of this Modification has meant that the industry has had less time to submit a response. This FMR has no legal text and therefore some Panel Members questioned what this Modification actually delivers.

Normally a change request would be raised through the DSC; a Modification can be subsequently raised to provide more traction to achieve a desired result. There is no urgency process in the DSC procedures.

The current status is that the change proposal Business Evaluation Report (BER) will go to the July DSC Change Management Committee.

Consideration of the Relevant Objectives

Panel Members supported the intention of the Modification based on relevant objective d).

A Panel Member, whilst not voting for implementation remained supportive of the intent of the Modification.

Some Panel Members noted that under f) the dual governance negatively impacts this relevant objective. Other Panel Members disagreed and noted that the Modification had been granted Urgent status by Ofgem.

Determinations

Panel Members voted and, with 12 in favour (out of a possible 13), recommended implementation of 0658 (Urgent).

12 Recommendations

Panel Recommendation

Members recommended that Modification 0658 (Urgent) should be implemented.