

UNC Final Modification Report		At what stage is this document in the process?
<h1>UNC 0724 (Urgent):</h1> <h2>Amendment to Ratchet charges during COVID-19 period</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: 5px;"> 01 Modification </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>To make Ratchet charge changes during COVID-19 period to avoid the application of incentive charges where consumption at specific sites is increased above the agreed booked capacity to support local/national needs during the COVID-19 pandemic.</p>		
	The Panel recommends implementation	
	High Impact: Shippers, Distribution Networks, NTS	
	Medium Impact: Consumers (site specific)	
	Low Impact: CDSP	

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Timeline		
Modification timetable:		
Modification sent to Ofgem	21 April 2020	
Ofgem Decision on Urgency	22 April 2020	
Consultation Commences (3 Business Days)	22 April 2020	
Consultation Close-out for representations	27 April 2020	
Final Modification Report available for Panel	28 April 2020	
Modification Panel recommendation	30 April 2020	
Ofgem Decision	01 May 2020	
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1 Summary

What

Under UNC Transporters Principle Document (TPD) Section B Transporters are obliged to calculate Ratchet Charges where a Class 1 or 2 site exceeds their booked capacity. As a result of the COVID-19 pandemic a number of sites are having to increase their production etc in order to support the local/national needs caused by the crisis. This includes, but is not limited to, medical facilities, food producers, manufacturers of medical supplies or other relevant equipment. Also, a number of sites have changed their production purpose during this time to meet the needs of the NHS and other emergency services, eg exhibition spaces being utilised as temporary hospitals, breweries creating sanitiser sprays.

Usage over the booked capacity for these sites will not only see them incur ratchet charges for the period, they will also have an increased System Offtake Quantity (SOQ) after the COVID-19 period, without the need for the increased capacity after the crisis. This would result in additional capacity charges being incurred until they can request a decrease at the start of the SOQ reduction window in October 2020 or later should the crisis continue.

Why

If the conditions in the UNC remain 'as is' these sites may incur Ratchet / CSEP overrun charges, where they would not be expected to under 'business as usual' conditions.

Sites that have had Ratchet increases to their SOQ due to increased consumption would be further impacted by not being able to reduce their SOQ back to pre COVID-19 levels until the capacity reduction window next opens in October 2020 and incur capacity charges without the need to use such capacity which could be seen as a disincentive to support the national needs.

How

Adding a set of rules to the UNC Transition Document to alleviate Ratchet Charges and permanent changes to SOQ for sites that meet the 'COVID-19' criteria, for the period during which they qualify (the final date will be determined in line with government advice and requirements) A retrospective element will also be included to allow for these provisions to be backdated to cover the period from 23rd March 2020 as outlined in the Coronavirus Act 2020.

Transporters will apply a refund for sites that can demonstrate that their consumption has increased unusually during the Covid-19 period in relation to Ratchet charges or CSEP Overrun charges.

Sites identified above will also be able to apply for a SOQ reduction, to return their capacity to the pre COVID-19 level, whether they are within or outside of the capacity reduction window.

2 Governance

Justification for Urgency

This Modification is proposing to amend the application of Ratchet Charges and the where the subsequent SOQ has increased due to a site supporting national needs against COVID-19, while also allowing the SOQ to be reduced following COVID-19. This is a material impact to both Shipper Users, Transporters and some consumers.

The impact of these additional charges may already be felt by some Shipper Users and end consumers, therefore due to COVID-19 being a temporary situation, and relief for some of this impact to these Shippers Users and consumers being required in the short term, this Modification is proposed to follow urgency timetable as this is a current issue with a significant commercial impact on some Shipper Users and Consumers.

Requested Next Steps

This Modification should:

- be treated as urgent and should proceed as such under a timetable agreed with the Authority.

3 Why Change?

Whilst COVID-19 is causing changes in consumption of gas in the short term, both increased and decreased consumption. This Modification proposal seeks to address the specific issue where Class 1 & 2 sites have increasing consumption due to assisting in the COVID-19 response effort, and where this increased consumption causes the site to Ratchet and incur Ratchet Charges. This Modification proposal also includes site specific CSEPS Overrun charges Overrun charges under the same basis.

Under UNC TPD Section B, Transporters are obliged to calculate Ratchet Charges where a Class 1 or 2 site exceeds their booked system capacity. During COVID-19 a number of sites are having to increase their production etc in order to support the local/national needs caused by the crisis. This includes, but is not limited to, medical facilities, food producers, manufacturers of medical supplies or other relevant equipment. A number of sites have changed their production purpose during this time to meet the needs of the NHS and other emergency services, e.g. exhibition spaces being utilised as temporary hospitals, breweries creating sanitiser sprays.

Usage over the booked capacity for these sites will not only see them incur Ratchet Charges for the period, they will also have an increased SOQ after the COVID-19 period, without a need to maintain the increased usage. This would result in additional capacity charges being incurred until they can request a decrease at the start of the SOQ reduction window in October 2020 or such later date should the pandemic persist.

If the conditions in the UNC remain 'as is' these sites may incur Ratchet / CSEP overrun charges, where they would not be expected to under 'business as usual' conditions and the incentive would not be working as intended under such conditions.

Sites that have had Ratchet increases to their SOQ due to increased consumption would be further impacted by not being able to reduce their SOQ back to pre COVID-19 levels until the capacity reduction window next opens in October 2020.

4 Code Specific Matters

Reference Documents

None

Knowledge/Skills

Knowledge of the UNC, especially in relation to Ratchets and Overrun charges.

5 Solution

Where a Shipper User identifies a site as having increased consumption as a direct result of it assisting in the COVID-19 response, Shipper Users will be able to apply for the following Transitional rules to be applied. Applications, with supporting information, are to be made via Xoserve. Transporters decisions on the validity will be final.

The periods during which the a relevant Supply Point is deemed to be in a COVID-19 period for the purposes as outlined in COVID-19 specific Modifications are: Where any of the powers as laid out in the Coronavirus Act 2020 Schedule 22, (Powers to Issue Directions Relating to Events, Gatherings and Premises) are enacted for all or any of England, Scotland, Wales, then this will be deemed to be a COVID-19 Period for UNC purposes for the relevant Supply Point, when the Supply Point is situated in the a part of the UK for the period during which any of the powers enacted relevant to that part of the UK are in force.

Class 1 Sites

Where a site Ratchets for a COVID-19 specific situation and period, the charge calculation (TPD B 4.7.7) multiplier would be a multiplier of 1

Class 2 Sites

Where a site Ratchets for a COVID-19 specific situation and period, the charge calculation multiplier (TPD B 4.7.8 J) would be a multiplier of 1

Site Specific CSEPs

Where a site Overrun charge for a COVID-19 specific situation and period occurs, the charge calculation multiplier (TPD B 4.8.3) would be a multiplier of 1

All sites

Where the COVID-19 period end date falls outside of the SOQ reduction window any sites that fall into the above categories will be able to reduce their SOQ to the last SOQ on or before 23rd March 2020 anytime in the period no later than 30 days after the COVID-19 period end date.

6 Impacts & Other Considerations

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

This is a temporary solution, the rules introduced by this Modification are not intended to still be in place when Faster Switching legal text is introduced and therefore there should be no impact on the SCR.

Consumer Impacts

This Modification will have a positive impact on those I&C sites and consumers that are assisting in the COVID-19 response and that might be subject to Ratchet Charges in such circumstances.

Cross Code Impacts

IGTs may wish to consider a similar Modification where applicable.

EU Code Impacts

None

Central Systems Impacts

No Central System impacts are intended, however manual process intervention will be required, as applicable, to cancel Ratchet Charges and to enable SOQ reduction outside of the SOQ reduction window.

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.	Positive
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.	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.	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

Due to COVID-19 the gas industry is seeing a change in gas consumption; therefore this Modification proposal seeks to redress some of the economic impacts that this change is having across a wider industry and end consumers where their change in consumption behaviour is a direct response to assisting with the national need for COVID-19, therefore this Modification has a positive impact on Relevant Objective a.

8 Implementation

As urgency status is being requested, implementation could be as soon as authority approval is given.

9 Legal Text

Legal Text has been provided by Northern Gas Networks and is published alongside this report.

Text Commentary

Legal text has been published alongside this Modification.

Text

Legal text has been published alongside this Modification.

10 Consultation

Ofgem invited representations from interested parties on 22 April 2020. The summaries in the following table are provided for reference on a reasonable endeavours' basis only. It is recommended that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 20 representations received 17 supported implementation, 2 offered qualified support and 1 provided comments.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Support	a - positive	<ul style="list-style-type: none"> In general notes that settlement accuracy has been temporarily impacted by significant changes in gas demand due to the COVID-19 lockdown. Where remote reads are still available these inaccuracies will substantially unwind as reads are processed and reconciliations can be applied. For sites that rely on pedestrian reads (and sites unable to repair non-working remote reading equipment) the unwinding will take longer to achieve. Noted that Relevant Objective a) Efficient and economic operation of the pipe-line system – Positive that the process has not been reviewed in detail. Recognises the need to protect those customers increasing consumption as part of the effort to address COVID-19 which is why British Gas supports this Modification. Supports the implementation and believes that it is right to offer protection from adverse commercial impacts where Class 1 and 2 supply points have increased gas consumption related to managing COVID-19. Notes that as this is driven by actual data, and involves review by the Transporter, there are not the same

			<p>concerns around controls and unintended consequences as for the other three Urgent Modifications (0721, 0723 and 0724).</p>
Cadent	Support	a - positive	<ul style="list-style-type: none"> • In support of the Modification believes that the Modification if implemented would, for the COVID-19 period, disapply Ratchet Charges where they occurred at relevant Supply Points which have increased consumption above the 'booked SOQ' as a result of assisting the COVID-19 response. • Also believes that the Modification allows the Shipper to reduce the resultant 'ratcheted' SOQ back down to pre ratchet levels through a Capacity Revision where applicable. • Are supportive of this transitional arrangement where the ratchet occurs as a consequence of the site supporting the COVID-19 response effort. • Agrees with the Proposer that implementation of the Modification could be as soon as authority approval is given. • Has not identified any additional impacts and costs associated with implementation of the Modification. • Is satisfied that the legal text meets the intent of the Modification.
Drax	Qualified Support	a - positive	<ul style="list-style-type: none"> • Offers qualified support for this Modification on the basis that it agree with the intent of this Modification and believe that the relevant objective of efficient economic operation of the pipeline system is met by disapplication of the ratchet charge, not least because in their view the ratchet charge does not reflect actual costs incurred on the network. • Believes that the legal text will need to be adjusted to better reflect the intent of the Modification, as under current legal drafting a ratchet charge would still be applied on a yearly basis. Therefore, it may be necessary to raise a supplementary urgent Modification to align the legal text with the intent of the Modification. • Believes that the Modification should be implemented as soon as reasonably practical. • Notes that the Modification has not identified any additional impacts and costs associated with implementation. • Notes that as discussed at the Workgroup the intent of the Modification is not reflected in the drafting as parties

			<p>that have been ordered to produce more - thereby incurring a ratchet charge - would still be paying excessive charges applied on a yearly basis. This will need rectifying, and in their opinion, it would be more efficient to remove the ratchet charge altogether.</p> <ul style="list-style-type: none"> • Suggests that changes to the legal text are necessary to ensure the Modification executes what is intended. As with the other COVID19 related Modifications we would expect the Panel and Performance Assurance Board (PAB to monitor the outcome of these Modifications to ensure that the provisions are used appropriately and that any unintended consequences are mitigated.
E.ON	Support	a - positive	<ul style="list-style-type: none"> • Is supportive of the principle proposed and the recognition there might be a legitimate cause to the ratchet due to the current pandemic. • Recommends that reporting to identify the COVID-19 instances is put in place should this Modification be approved. • Notes that if approved, implementation could be immediately after approval. • Does not anticipate system changes to deliver this, but more delivered via changes in operational processes which would potentially include checks related to evidence gathering so there would be costs associated to this, but it would not be project level delivery. • Remains unsure whether the definition of 'relevant period' is meant to be also introduced into 0724 as well as part of 0721, if 0721 is not approved does the drafting still link to the period of lockdown? (i.e. 5.4(b) and 6.1(b) references 30 days, is this calendar days or business? whilst 5.4(b) and 5.5 references the provision of evidence, how will it be ensured that all DNs and the CDSP view the evidence of the 'legitimate cause' consistently?). • Points out that the legal text does not allow for appeal or the provision of additional evidence, as this hasn't been necessarily done in these circumstances should there be the ability to provide further evidence in [x] number of days and if not provided the charges remain? • Is of the view that the solution is likely to have an impact on IGT connected sites, so would recommend that cross-code impacts in the IGT UNC are also considered.
EDF Energy	Support	a - neutral	<ul style="list-style-type: none"> • Understands that during these unprecedented times there is a desire for these Modification Proposals (0721,

			<p>0722, 0723 and 0724) to be given urgent status and will follow expediated Modification procedures, and believes that there is a significant risk that the flexibility these Modifications provide could result in wide-spread abuse by Shipper Users that will require future corrective measures to address.</p> <ul style="list-style-type: none"> • Suggests that these Modifications require robust exit strategies and effective reporting needs to be considered to deter and control any undesirable practices and outcomes before they are implemented. • Supports the implementation of this Modification and the support it provides to sites directly supporting the local and national efforts in response to the COVID-19 pandemic.
<p>Energy Intensive Users Group</p>	<p>Support</p>	<p>a - positive</p>	<ul style="list-style-type: none"> • In noting that the impact of COVID-19 has created uncertainty in gas demands for many customers, believes that the additional social distancing protocols will cause issues with access to properties for meter reading purposes. • Is of the opinion that this Proposal will reduce the ratchet charges for LDZ connected DM sites where their consumption has increased as a result of increasing production to help combat the COVID-19 pandemic. • Points out that although the intention of the Modification is correct, EIUG believes that the Modification should be extended to ensure that the ratchet charges are removed completely (not reduced), and the Modification should be extended to protect include NTS connected sites from capacity overrun charges whilst more should be done to protect DM customers from fixed/capacity charges. • Supports immediate implementation. • Has not identified any potential impacts or costs associated with implementation of this Modification. • Is satisfied that the legal text delivers the intent of the Modification solution but points out that in its opinion the Ratchet Charges should be removed from NTS and LDZ connected sites (not reduced). • Believes that the proposed solution will help reduce ratchet charges for LDZ connected sites, but it will not eliminate them, and as a consequence suggests that the Modification should be extended to remove the ratchet charges (not reduce) for LDZ connected sites and remove any capacity overrun charges from NTS connected sites.

			<ul style="list-style-type: none"> • Also believes that more help should be provided in helping DM customers with fixed/capacity charges and ensuring that DM sites do not change load bands (and therefore exposed to higher unit charges in the following charging periods) as an unintended consequence of any changes. • Observes that within the current health & economic climate, many DM ‘industrial and commercial’ consumers have reduced (or completely ceased) their levels of gas consumption due to falling product demands. Many do not know when normal operations will resume. • Remains concerned that despite no product demand and therefore no income, they are still exposed to the fixed/capacity charges of the charging regime. This Modification (or similar) should explore how to offer DM sites temporary relief of the fixed/capacity charges in a similar way that Modification 275 offered protection during the economic crisis in 2008/09.
ENGIE	Support	a - none	<ul style="list-style-type: none"> • Supports implementation of this Modification to combat issues presented by COVID-19 in relation to sites potentially consuming more during the COVID-19 crisis. • Supports immediate implementation. • Has not provided any comments on potential impacts or costs associated with implementation of this Modification. • Is satisfied that the legal text delivers the intent of the Modification solution.
Gazprom Energy	Support	a - positive	<ul style="list-style-type: none"> • In supporting the Modification, agrees with the Proposers view that sites that are exceed anticipated gas use by increase production to combat the COVID-19 pandemic should not be penalised via the ratchet regime for doing so. • Agrees with proposer that this Modification is positive in respect of Relevant Objective (a) • Has not identified any significant costs associated with implementation of this Modification. • Suggests that this change needs to be implemented as soon as possible owing to the need to provide certainty to customers that they will not face excessive charges for increasing production. • Provided no comment of the legal text as provided. • Notes the Modification, whilst reducing cost from ratchets for those customers, does not eliminate them and goes on to suggest that the Class 2 provisions are extended to

			<p>qualifying Class 1 sites for ratchet charge calculations - this does not negate Gazprom Energy's support for the Modification.</p>
ICoSS	Support	a - positive	<ul style="list-style-type: none"> • In supporting the Modification agrees with the Proposer's view that sites that are exceed anticipated gas use by increase production to combat the COVID-19 pandemic should not be penalised via the ratchet regime for doing so. • Believes that this Modification helps reduce those costs and it is an important first step to removing this potential disincentive. • Suggests that this change needs to be implemented as soon as possible owing to the need to provide certainty to customers that they will not face excessive charges for increasing production. • Believes that Shippers should not face any immediate additional costs. • Having reviewed the legal text believes it has identified a drafting error in 5.1(b) which refers to UNC TPD B4.8.4.3 which should really refer to UNC TPD B4.7.8. • Notes that the intent of the Modification is to ensure that Class 1 daily metered customers that exceed their SOQ as a result of increasing production to meet COVID-19 requirements are not penalised for doing so. However, this Modification, whilst reducing cost from ratchets for those customers, does not eliminate them and therefore suggests that the Class 2 provisions are extended to qualifying Class 1 sites for ratchet charge calculations.
Major Energy Users Council	Support	a - neutral	<ul style="list-style-type: none"> • In supporting the implementation of this Modification (with some urgency), appreciates and applauds the efforts NG ESO, ET, GT, DNOs and GDNs are doing to maintain security of supply in difficult circumstances and the support Suppliers are providing to vulnerable customers. • Notes that many Industrial and Commercial consumers have been forced to close as a result of the Government implementing lock down of their activity. • Observes that in addition to large single site consumers there are numerous commercial multi-site organisations, which include chains of hotels, restaurants, pubs, cafes, takeaways etc. all of whom use considerable amounts of gas, with zero consumption and no income yet they will still face 95% of their transportation charges, which are mainly based on capacity not commodity.

			<ul style="list-style-type: none"> • Believes that the Modification ensures the avoidance of ratchet charges and capacity increases as a result of a short-term increase in demand. • No comment was provided in relation to Legal text
Northern Gas Networks	Support	a - positive	<ul style="list-style-type: none"> • Support the Proposal as the temporary reduction of ratchet charges, for sites which have increased their usage above the agreed booked capacity to support local and national needs during the COVID-19 response effort, should enable parties to continue providing aid. • Believes that the additional ability to return to their pre-COVID-19 level of SOQ, even if outside of the SOQ reduction period, ensures that any longer term impacts caused by the ratchet are also negated which should redress some of the economic impacts that the COVID-19 situation is having across the wider energy industry, thus furthering Relevant Objective a) efficient and economic operation of the pipe-line system. • Believes that the Proposal could be implemented as soon as Ofgem approval is received. • Points out that as income relating to charges as a result of Ratchets are re-socialised, there is no identified impact to Northern Gas Networks as a result of this Proposal. • Is satisfied that the legal text delivers the intent of the Modification solution.
Npower	Support	a - positive	<ul style="list-style-type: none"> • Understands and supports the intent of this Modification, whilst agreeing that it is right to take steps to avoid the application of ratchet charges where consumption increases occur as a result of efforts to assist national or local needs during the COVID-19 pandemic. • Agrees that this Modification will facilitate UNC Relevant Objective a). • Believes that no lead time is required, as this Modification could be implemented immediately following approval. • Has not identified any impacts and costs associated with the implementation of the Modification. • Has provided no comments on the legal text.
Opus Energy Ltd	Qualified Support	a - positive	<ul style="list-style-type: none"> • Offers qualified support for this Modification on the basis that they agree with the intent of this Modification and believe that the relevant objective of efficient economic operation of the pipeline system is met by disapplication of the ratchet charge, not least because in our view the

			<p>ratchet charge does not reflect actual costs incurred on the network.</p> <ul style="list-style-type: none"> • Believes that the legal text will need to be adjusted to better reflect the intent of the Modification, as under current legal drafting a ratchet charge would still be applied on a yearly basis. Therefore, it may be necessary to raise a supplementary urgent Modification to align the legal text with the intent of the Modification. • Supports implementation as soon as reasonably practical. • Notes that the Modification highlights that there are no extra costs on networks or other parties. Modification • Notes that as discussed at the workgroup the intent of the Modification is not reflected in the drafting as parties that have been ordered to produce more - thereby incurring a ratchet charge - would still be paying excessive charges applied on a yearly basis. This will need rectifying, and in our opinion, it would be more efficient to remove the ratchet charge altogether. • Believes that changes to the legal text are necessary to ensure the Modification executes what is intended. As with the other COVID-19 related Modifications we would expect the Panel and Performance Assurance Board (PAB) to monitor the outcome of these Modifications to ensure that the provisions are used appropriately and that any unintended consequences are mitigated.
Orsted	Support	a - positive	<ul style="list-style-type: none"> • In supporting the Modification, notes that due to the COVID-19 pandemic, some sites have or will exceed their anticipated gas use by increase production to provide support to the pandemic. Due to the current ratchet regime rules these sites will be penalised for doing so. • Believes that this Modification provides a pragmatic solution to reduce associated costs and introduces a first step to removing this potential disincentive. • Would like to see this Modification implemented as soon as possible in order to provide certainty to customers they will not face excessive charges for increased production due to COVID-19 requirements. • Noted that we have not fully assessed the impacts and costs to its business but expect them to be minimal.

			<ul style="list-style-type: none"> • Having reviewed the legal text believes it has identified a drafting error in 5.1(b) which refers to UNC TPD B4.8.4.3 which should really refer to UNC TPD B4.7.8.
PFP Energy	Support	a - neutral	<ul style="list-style-type: none"> • In supporting the Modification, points out that without addressing AQ in the COVID-19 period it will have unintended consequences for gas balancing and gas reconciliation. • Observes that under Section E of the UNC the daily User Daily Quantity Outputs (UDQOs) or NDM Shippers to small businesses will be overstated by the Xoserve calculation, unless such impacted Shippers can reduce the AQ downwards to reflect the actual demand. If this does not occur Shippers will be asked to put more gas into the system each day that the sites are consuming. Even if they provide a monthly meter read they will still be asked to put more gas in than the sites are consuming, and could be purchasing this at SMP buy price, and when reconciliation occurs they will get the volumes recompensed back at 30 day SAP. • Also points out that under the UNC exit close out date is the 5th day after the gas flow day and this defines the daily UDQO. The UDQO for NDM sites is determined by ones AQ and WALP (weather adjusted ALP). Normally the average daily SMP buy prices will be greater than the 30 SAP price, and this will cause such Shipper an unintended gas balancing loss that they are unable to mitigate against unless they can reduce the AQ according to the demand, which in some cases will be zero. • Believes that without this change and even if a Shipper correctly estimated its usage and inputted (bought) the buy gas required to meet its UDQO, based on better intelligence on site consumption, they would be forced by the balancing rules to purchase more to Xoserve's UDQO, which will be driven off the AQ Xoserve hold on their system pre COVID-19 and they would purchase this at the daily system buy price. If the Shipper puts in a read, a monthly read, all the over purchased gas that the balancing rules force the Shipper to purchase would be recompensed back via the reconciliation invoice at the 30 day SAP price, thus generating unintended losses. • No comments where provided on Legal Text.
ScottishPower	Support	a - positive	<ul style="list-style-type: none"> • In supporting the Modification agrees that sites that are exceeding anticipated gas use due to increased

			<p>production to combat the COVID-19 pandemic should not be penalised via the ratchet regime for doing so.</p> <ul style="list-style-type: none"> • Supports implementation as directed by Ofgem. • Has not identified any impacts and costs associated with the implementation of the Modification. • Has provided no comments on the legal text. • Questions whether there is an IGT UNC related impact.
SGN	Support	a - positive	<ul style="list-style-type: none"> • In supporting the Modification, provides extensively detailed explanations relating to some key common themes such as Impact of COVID-19; Alignment with Government COVID-19 Response Strategy; Lifespan of Modifications; Modification Development and Evidence Requirements (please refer to the representation for further details). • Supports the Modification and considers it furthers relevant objective a) economic and efficient operation of the pipeline system. • Believes that the Coronavirus Act 2020, and particularly the lockdown arrangements facilitated by declarations under Schedule 22, were implemented rapidly and unexpectedly. As such, those premises which have re-purposed their activities are likely to have done so with little notice or ability to predict future demand. This also creates a consequential increase in the SOQ to reflect increased consumption which, while accurate for the duration of the re-purposed activities, may require correction once normal operation resumes. • Points out that the initial emergence of COVID-19 in March 2020 and subsequent Schedule 22 declaration was sudden and unexpected. As such, SGN is of the view that relief from ratchet charges is appropriate for the Relevant Period within the 2019/20 ratchet period as the impacts of COVID-19 were sudden and unpredictable. • Considers that such relief would not be appropriate in future ratchet periods, irrespective of any declaration under Schedule 22, as any consequential impact would be more well-known and predictable. As such SGN would not expect the Modification to apply to any future ratchet periods and if it were in place would anticipate a higher threshold of evidence as to why a capacity application could not have been foreseen and submitted. • Expects the population of eligible sites under Modification 0724 to be relatively small, as the Modification is limited

		<p>to Settlement Class 1 and would only apply to those sites in receipt of a ratchet charge.</p> <ul style="list-style-type: none"> • Points out that given the intention for the Modifications to provide rapid and pragmatic relief from COVID-19 related challenges, SGN welcomes Ofgem’s intention to issue a decision on 1st May 2020 and anticipate implementation will follow as soon as reasonably practicable. • Notes that according to the urgent timetable being followed any associated impacts and costs cannot be fully assessed. However, SGN does anticipate a significant impact upon transportation revenue which, if implemented, could impact their own liquidity arrangements and may not be recovered for a two-year period or could be subject to a mid-year tariff review. • Noting that legal text has been drafted as transitional text to compliment the otherwise normal application of UNC. Given the urgent Modification timescales, the text reflects the Modifications’ business rules at a high, rather than detailed level. As such SGN are satisfied that the text delivers the intent of the Modification solution, however, acknowledge that further activity beyond that defined in the text will be required to ensure successful implementation and operation of the proposed measures. • Also notes that at the time of responding, the legal text refers to the Coronavirus Act 2020, Schedule 22. The restrictions placed upon businesses and population as defined by The Health Protection (Coronavirus, Restrictions) (England) Regulations 2020 and Health Protection (Coronavirus) (Restrictions) (Scotland) Regulations 2020 also create the trigger for potential significant changes in demand, therefore while SGNs comments for the purposes of this response relate to the Coronavirus Act referenced by the legal text, they also apply to the initial directions issued under the Health Protection (Coronavirus, Restrictions) (England) Regulations 2020 and/or the Health Protection (Coronavirus) (Restrictions) (Scotland) Regulations 2020 enacted on 26th March 2020. • Notes that the Modification has been developed according to an urgent timescale and as such is drafted at a high, rather than detailed, level. Industry acknowledges that further activities will be required to ensure successful application of the proposals in addition to defining smooth exit arrangements. • Points out that due to the short development timescales SGN has not been able to undertake any of the detailed
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			<p>analysis to quantify the impacts of the Modification which they would normally undertake. Furthermore, the Modification does not provide any data to establish the likely take up of the proposed solutions. As such it has not been possible to undertake analysis to quantify the impact of the Modification and potential impacts will not be fully recognised for some time after their implementation.</p>
Total Gas & Power	Support	a - positive	<ul style="list-style-type: none"> • In supporting the Modification believes that any sites with increased consumption as a result of the COVID-19 pandemic should not be penalised by the ratchet regime. • Supports implementation as soon as possible. • Have not identified any impacts or costs associated with implementation of the Modification. • Have not reviewed the legal text.
Wales & West Utilities	Support	a - positive	<ul style="list-style-type: none"> • Supports the Modification because it provides relief from ratchet charges and increases in capacity for Shippers whose customers increase demand as a result of responding to requests to increase production due to the COVID-19 emergency and therefore furthers Relevant Objective a) Economic and Efficient operation of the system. • Supports implementation immediately following an Authority direction. • Believes that there is very little direct impact on Wales & West Utilities revenue from ratchet charges is returned to the generality of Shippers through the price control arrangements. Furthermore, Wales & West Utilities expect this Modification to only benefit a few customers, but it to be a significant benefit to those few. • Whilst aware that Northern Gas Networks are continuing discussions with the legal text provider regarding which legislation should be the referenced and following comments at the Distribution Workgroup on 23rd April 2020, suggests the value of one parameter in the legal text should be considered to ensure that the legal text delivers the intent of the proposal. • Would like to record our appreciation to Northern Gas Networks for delivering the legal text in very short timescales.
Xoserve	Comments	a - neutral	<ul style="list-style-type: none"> • Is encouraged to see the industry working together so positively in a short period of time to develop constructive solutions at this unique time.

			<ul style="list-style-type: none"> • Points out that these Modifications rely upon use of existing processes in order to minimise system changes to all industry parties and to ensure that the challenging timescales necessary for the industry response can be met. • Would encourage Users to ensure that they are familiar with the way that UK Link Communications are to be submitted in order to make use of this capability afforded by these Modifications. • Points out that Xoserve are proposing a workshop to support Users which will run on 29th and again on 30th to support Users in this way. • Would encourage all Users to contact their Customer Advocate to support the CDSP in understanding and preparing for the volumes anticipated through each process. • Notes that Unidentified Gas (UIG) is currently very volatile, and that a major contributor is likely to be the unexpected demand patterns amongst Non-Daily Metered sites. • Are aware that the use of the Isolations Flag for sites still consuming a de minimis quantity of gas and any inaccuracy in the revised AQs or estimated readings submitted by Shippers could also contribute to daily UIG. In all cases the next true actual meter reading will cause a Meter Point Reconciliation which would also correct the UIG position.
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Please note that late submitted representations will be included on a best endeavours basis 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 this Modification seeks an amendment to Ratchet charges during COVID-19 period to ensure sites that are having to increase their production etc in order to support the local/national needs caused by the crisis are not impacted should they exceed their system booked capacity.

Panel Members noted that of the 20 representations received 17 supported implementation, 2 offered qualified support and 1 provided comments.

Panel Members noted that the Legal Text was amended during the Consultation Period and prior to the UNC Modification Panel making a recommendation on the implementation of this Modification. However, the consensus view of Panel Members was that the changes were non-material in nature and would be

unlikely to change respondents' views.

Panel Members agreed that this Modification would provide a temporary reduction of Ratchet charges, for sites which have increased their usage above their agreed booked capacity as they ramped up their site production to support local and national needs, during the COVID-19 response effort and that these sites should not be penalised for meeting this need.

Panel Members agreed it would also benefit consumers by providing them with the ability to return to their pre-COVID-19 level of SOQ, even if outside of the SOQ reduction period. This would ensure that any longer-term impacts caused by the Ratchet changes are also negated, which should redress some of the potential economic impacts that the COVID-19 situation is having across the wider industry and consumers.

Panel Members noted that as income relating to Ratchet charges are re-socialised through the Transporters price control mechanisms, there should be no overall impact on transporter income or charges.

Panel Members noted that one Respondent felt the scope of the Modification should be extended to protect NTS connected sites from capacity overrun charges, however as this is an Urgent Modification with no scope for amendment, another Modification would be required to take this issue forward.

Panel Members noted that there was a suggestion that robust exit strategies and effective reporting is required to ensure correct behaviours and outcomes are maintained. It was noted that the Performance Assurance Committee (PAC) should consider if additional reporting is required to ensure robust mechanisms are put in place.

A Panel Member stated that if PAC reporting amendments were required these should be sent to DSC Contract where approval should be sought.

Consideration of the Relevant Objectives

Panel Members agreed that due to the COVID-19 response, the gas industry is seeing a change in gas consumption. Therefore, this Modification seeks to redress some of the unintended consequences and economic impacts that this change is having across a wider industry and end consumers and where their change in consumption behaviour is a direct response to assisting with the national response to COVID-19. This Modification has a positive impact on Relevant Objective Relevant Objective a) Efficient and economic operation of the pipe-line system.

Determinations

Panel Members voted unanimously **to recommend the implementation of Modification 0724 (Urgent)**.

12 Recommendations

Panel Recommendation

Panel Members recommended:

- that Modification 0724 (Urgent) **should be implemented**.