

UNC Modification Panel Minutes
Meeting 305 held on Thursday 16 March 2023
via Microsoft Teams

Attendees		
Voting Panel Members:		
Shipper Representatives	Transporter Representatives	Consumer Representatives
D Fittock (Corona Energy) D Morley (OVO Energy) O Chapman (OC), Centrica and on behalf of M Bellman R Fairholme (RF), Uniper S Mulinganie (SM), SEFE Energy	A Travell (AT), BUUK D Mitchell (DMi), SGN G Dosanjh (GD), Cadent J Bates (JB), National Gas Transmission R Pomroy (RP), Wales & West Utilities T Saunders (TS), Northern Gas Networks	E Proffitt (EP), Major Energy User's Council S Hughes (SM), Citizens Advice
Non-Voting Panel Members:		
Chairperson	Ofgem Representative	Independent Supplier Representative
W Goldwag (WG), Chair	J Semple (JS)	(None)
Also, in Attendance: D Stenson (DS), Brook Green Energy Supply; D Turpin (DT), Xoserve; E Rogers (ER), Xoserve - CDSP Representative; G Edwards (GE), Centrica; H Cuin (HCu), Joint Office; H Moss (HM), Cornwall Insight; J Knight (JK), Centrica; K Elleman (KE), Joint Office; K Ingham (KI), Centrica; M Nyeko (MN), Centrica; P Garner (PG), Joint Office; P Lucas (PL), National Gas Transmission; R Hailes (RH), Joint Office.		
Copies of all papers are available at https://www.gasgovernance.co.uk/Panel/160323		

Record of Discussions

305.1. Introductions

The UNC Modification Panel Chair, W Goldwag (WG), welcomed all attendees.

305.2. Note of any alternates attending the meeting

O Chapman on behalf of M Bellman
D Fittock on behalf of S Mulinganie (between 11am and 12pm)

305.3. Apologies for Absence

M Bellman

S Mulinganie (between 11am and 12pm)

305.4. Minutes of the last meeting 16 February 2023.

Approved.

305.5. Review of Action(s) and Issue(s)

0201: Modification Proposer 0835R (Phil Hobbins) to provide an interim report to Panel on the DSR workplan/timelines and a view on the impacts to the Gas Act and Licenses (March 2023).

Update: See item 305.9 a). **Closed.**

305.6. Consider Urgent Modifications

a) Modification 0840 - Equalisation of prepayment and non-prepayment AUG factors

R Hailes (RH) provided the background to the Urgent Modification, explaining that it seeks to remove the differential treatment of prepayment meters and non-prepayment meters in the allocation of Unidentified Gas (UIG), and presented the Final Modification Report (FMR).

Please refer to the Modification published at: <https://www.gasgovernance.co.uk/0840>

Panel Members considered the representations submitted during the Consultation noting that, of the 7 representations received 3 supported implementation, and 4 were not in support.

It was acknowledged that this Modification would mandate that there should be no differentiation in AUG weighting factors for prepayment and non-prepayment EUCs in the same sector and product class and recognised the intent of the Modification in protecting vulnerable customers. It was noted that the change would not lead to any redistribution of UIG across sectors within the AUG Statement. However, it may lead to an increase or decrease in actual UIG allocation to Shippers depending on relative EUC sizes at an LDZ level and observed levels of UIG.

The Modification Panel considered the many varying views and concerns with the Modification and captured these in the Final Modification Report, relating to:

- The Modification removing the independence and undermining the principle of the AUGE.
- The AUGE can propose identical scaling factors for more than one EUC Band and/or Product Class.
- Why the current process for allocation which can be challenged through the AUG Sub-Committee is not being used.
- The Modification did not explain what is wrong with the current AUGE process.
- The role of the AUGE, is to identify the differentials. The reason behind the differential is related to the proportion of theft attribution to prepayment sites and that more recorded theft is identified against prepayment meters.
- The implementation impacts on SEC and REC and if these have been considered. It was noted that this has been tabled at the appropriate forums.
- The impact on the price cap mechanism, the factors built in, and, if this Modification would have a direct impact on the price cap for credit and pre-payment customers.
- The Modification only adjusts one different element between prepayment and non-prepayment sites, although there are several areas that remain differentiated.

Views from Panel Members were considered and captured within the Final Modification Report in relation to three of the relevant objectives:

c) Efficient discharge of the licensee's obligations

d) Securing of effective competition between Shippers and/or Suppliers; and

f) Promotion of efficiency in the implementation and administration of the Code.

For Modification 0840 Members determined (with 14 Panel votes available):

- Panel Members did not agree to recommend implementation of Modification 0840 (5 votes in favour out of 14).

305.7. Consider Variation Requests

None.

305.8. Final Modification Reports

a) 0818 - Releasing of unused capacity under a specific set of circumstances

R Hailes (RH) presented the Final Modification Report (FMR). Please refer to the Panel Discussion with the published FMR at: <https://www.gasgovernance.co.uk/0818>

RH summarised that this Modification would release unused capacity only where a site meets a specific criterion. This Modification will be limited to a small number of sites believed to be holding capacity they are not using and have not used for at least 36 months; and where there is a genuine need by others for capacity, but this is currently unavailable because sites are holding excess capacity.

Panel Members considered the representations made noting that of the 8 representations received, 2 supported implementation, 2 provided comments and 4 were not in support.

It was noted that 2 initial representations had been submitted and assessed by the Workgroup. Panel members considered the representations and agreed that the Workgroup had adequately considered and responded to these.

It was also noted that one late representation was received on 01 March 2023, not in support of the proposal.

Panel Members supporting the Modification agreed with the Proposer that this Modification would be an efficient option to use, in an area of the network, where the system is constrained. The process for reducing the capacity contains a number of controls and safeguards as outlined in the solution and these should provide sufficient safeguards for customers in the extremely low numbers of cases where its use may be considered.

Panel Members who did not support the Modification noted that this Modification would remove the consumer's right to determine their present and future capacity requirement and to contract with a Shipper to book this on their behalf with a transporter. The Gas Transporter will have sole discretion on what capacity a customer will be allowed to have as they can unilaterally revoke capacity. Customers will need to rely on Gas Transporters' discretion on what capacity a customer will be allowed.

The Modification Panel considered and captured views in the Final Modification Report, on the following aspects:

- If removing contingent capacity is efficient.
- Whether overbooking targets efficiency in areas where reinforcements costs would be incurred.
- That the current process encourages overbooking to avoid penalties.
- Anti-hoarding, a new area of EU legislation targeting an equitable process that could avoid network investment.
- The Supply Point Offtake Rate process.

- Fixed-term contracts and removing customer certainty.
- The appeal process; and impartiality.

Panel members considered the Panel questions and the consultation responses provided capturing views from Panel Members within the Modification Report.

Views from Panel Members were considered and captured within the Final Modification Report in relation to three of the relevant objectives:

- a) *Efficient and economic operation of the pipe-line system, and*
- c) *Efficient discharge of the licensee's obligations; and*
- d) *Securing of effective competition between Shippers and/or Suppliers.*

For Modification 0818, Members determined (up to 14 Panel votes available):

- No new issues were identified during consultation, by majority vote (13 out of 13).
- The Modification had no Cross Code impacts, by unanimous vote (13 out of 13).
- Panel Members did not agree to recommend implementation of Modification 0818 (4 votes in favour out of 14).

b) 0832S - Introducing additional flexibility to change the NTS large price step for Ascending Clock Auctions at IPs

R Hailes (RH) presented the Final Modification Report (FMR). Please refer to the Panel Discussion with the published FMR at: <https://www.gasgovernance.co.uk/0832>

RH summarised that this Self Governance Modification would improve Ascending Clock Auctions for IP Capacity by providing additional flexibility to change the percentage of the Reserve Price used to determine the NTS large price step when it is deemed appropriate to do so.

Panel Members considered the representations made noting that implementation was unanimously supported in the 2 representations received.

Panel Members agreed this Modification would provide additional flexibility to adjust the percentage of the Reserve Price, used to determine the NTS large price step, in circumstances where the current arrangements are not deemed appropriate. This change is designed to assist the successful closeout of auctions in a timely manner and ensure that capacity is allocated when it has been bid for to the benefit of all parties involved.

Views from Panel Members were considered and captured within the Final Modification Report in relation to four relevant objectives:

- d) *Securing of effective competition between Shippers and/or Suppliers; and*
- g) *Compliance with the Regulation and any relevant legally binding decisions of the European Commission;*
Charging Methodology 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
Charging Methodology 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.

For Modification 0832S, Members determined (with 13 Panel votes available):

- No new issues were identified during consultation, by unanimous vote (13 out of 13).
- The Modification had no Cross Code impacts, by unanimous vote (13 out of 13).
- Panel Members voted unanimously to implement Modification 0832S (13 out of 13).

305.9. Workgroup Issues/Updates

a) 0835R - Review of Gas Demand Side Response Arrangements (Review of timetable)

K Elleman (KE) introduced the Request and the questions Panel asked the Workgroup to provide an interim report on. J Bates (KB), on behalf of the Proposer Phil Hobbins, provided the Panel with an interim update on the DSR workplan/timelines and a view on the impacts on the Gas Act and Licenses, noting:

- That National Gas Transmission (NGT) will initiate Modification Proposals that are deliverable for Winter 2023/24, ahead of longer-term fixes.
- The Gas Act / License considerations (as detailed in the table below)
- Meetings are planned 23 March 2023 and 06 April 2023

The Gas Act / License Considerations:	
Direct Contracts (between NGT and consumers)	Longer lead time DSR
<ul style="list-style-type: none"> • The Gas Act does not prevent. 	<ul style="list-style-type: none"> • No barrier identified in the Gas Act.
<ul style="list-style-type: none"> • EU Balancing Code permits TSO to undertake balancing actions through either 'short-term standardised products' OR use of 'balancing services'. BAL Code contains no restrictions on parties with whom a TSO may contract for 'balancing services'. 	<ul style="list-style-type: none"> • EU Balancing Code establishes the principle that TSO is a residual balancer - but residual does not constrain the TSO to balancing actions undertaken within-day and D-1. When short-term standardised products “will not or are not likely” to provide the required response then TSO may use other balancing services.
<ul style="list-style-type: none"> • A Licence change would be required for Direct Contracting. 	<ul style="list-style-type: none"> • A Licence change would be required for a longer lead time DSR product.

A Panel Member asked about the legal view on Direct Contracting, noting the previous considerations had discounted the option of Direct Contracting as discussions had concluded that Direct Contracting with End Consumers for 'balancing services' was not consistent with the structure of the Gas Act. It was recommended that the Workgroup should clearly set out in the Workgroup Report (and any subsequent Modification) how Direct Contracting can be achieved with current legislation.

305.10. Workgroup Reports for Consideration

None

305.11. Consider New, Non-Urgent Modifications

a) 0831A – Allocation of LDZ UIG to Shippers (Class 3 and 4) Based on a Straight Throughput Method

The Proposer, D Stenson (DS) presented the Modification, explaining that it seeks to remove the current AUGGE process and create a permanent weighting table that encourages movement to Daily Metering, reduces levels of UIG, and discourages risk premiums for customers.

Please refer to the Modification published at: <https://www.gasgovernance.co.uk/0831>

DS explained that this Alternative Modification seeks to update the UIG allocation table with a set of permanent and common allocation factors so that UIG is allocated to all NDM customers equally on a throughput basis. In addition, the role of the AUGGE and cost of UIG from Product Classes 1 and 2 will be removed.

The Modification was proposed as an Alternative to Modification 0831 and should proceed under the same timetable as Modification 0831. DS outlined the solution viewing UIG levels as a model error.

A Panel Member enquired about Product Class 3 (PC3) sites and how the Workgroup envisages PC3 being treated in light of PC1 and PC2 being out of scope, as daily metered reads are obtainable. It was agreed to capture this as a Panel Question for Workgroup.

Panel considered a 6-month assessment period for both Modification 0831 and 0831A reporting back to September 2023, to take into account the aim to update the table for the New Gas Year October 2024.

Panel Questions:

Q1. Consider the inclusion/treatment of Product Class 3 daily read sites.

Q2. Consider the impact of excluding daily metered sites from UIG.

For Modification 0831A Members determined (with 14 Panel votes available):

- The Modification should be treated as an Alternative to 0831 by unanimous vote (14 out of 14)
- Should be issued to a Workgroup for 6 months with a report to be presented to the 21 September 2023 Panel, by majority vote (11 out of 14).
- There are no Cross-Code impacts, by unanimous vote (14 out of 14).
- The criteria for Self-Governance is not met, as this Modification is likely to have a material effect on competition in the shipping, transportation, or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation, or supply of gas conveyed through pipes, by unanimous vote (14 out of 14).

b) 0839 - Revision of the Modification Panel Membership Cessation Provisions

The Proposer, P Lucas (PL) presented the Modification, explaining that it seeks to amend the Modification Rules to mandate that when a Member of the Modification Panel ceases to be employed or engaged by the same entity at the time of membership nomination, that the Membership will cease.

Please refer to the Modification published at: <https://www.gasgovernance.co.uk/0839>

PL explained that whilst the Modification Rules set out the entity or constituency that each Member is required to represent (GT MR 3.2.1), there are no rules setting out the consequence for an existing Member who, due to a change in circumstances, is no longer employed or engaged by the same specified entity as at the time of the nomination.

PL outlined the varying options to address this and the proposed solution. The Modification was proposed as Self-Governance with a Workgroup Assessment concluding in April 2023.

Panel Members considered whether this proposed change is likely to have a material effect on the Uniform Network Code governance procedures (or any of the other aspects described in the Self-Governance criteria), and if this Modification required Authority direction.

Panel considered a 3-month assessment period at the Governance Workgroup reporting back 15 June 2023. It was noted that this Modification could report back sooner if the Workgroup Report is concluded early.

Various scenarios were considered by Panel Members along with the potential process complexities of trying to account for different reasons for Membership cessation. For example how to avoid an organisation potentially having two members, if a current member moves to an organisation that already has a representative appointed. It was agreed that the Workgroup would have to consider this eventuality and for clarity to be added to the Modification Rules.

The Panel also considered whether there could be a 'Panel Constituency' vote to approve a continuation of membership, rather than enacting a cessation and re-appointment if the member moves to an organisation without an existing representative.

Panel Questions:

Q1. Consider what should happen if a Representative changes employment within the same constituency i.e. a Shipper Member moving to a to different Shipper organisation and avoid one organisation gaining two votes.

Q2. Consider how other Codes manage Membership Cessation, particularly the IGT UNC.

For Modification 0839 Members determined (with 14 Panel votes available):

- There are no Cross-Code impacts, by unanimous vote (14 out of 14).
- The criteria for Self-Governance is not met, as this Modification could have a material impact, with a split vote (7 out of 14).
- The Modification should be issued to Workgroup for 3 months with a report to be presented to the 15 June 2023 Panel, by unanimous vote (14 out of 14).

c) 0841 - Introduction of cost efficiency and transparency requirements for the CDSP Budget, and revisions to DSC change processes

G Edwards (GE) presented the Modification, explaining that it seeks to provide greater clarity of the content requirements for the Central Data Services Provider (CDSP) Annual Budget and to improve the ability of UNC Parties to fulfil their obligation to control and govern the CDSP on an economic and efficient basis (under UNC General Terms, Section D, 1.4.4). This will be achieved through the introduction of explicit requirements for efficiency, greater transparency, and revised governance processes.

Please refer to the Modification published at: <https://www.gasgovernance.co.uk/0841>

It was noted there has been a lack of transparency over several years and that key information is needed to allow Parties to determine whether the proposals are economic and efficient.

The Modification was not proposed as Self-Governance with a Workgroup Assessment concluding in June 2023. This Modification will require Authority Direction as it seeks to make changes to governance arrangements.

Panel considered the assessment period at the Governance Workgroup reporting back to either 15 June 2023 or 21 September 2023

A Panel Member suggested consideration is given to mapping an end-to-end process, clearly capturing the interactions between the DSC Change and DSC Contract Management Committees, the documentation changes required, and how efficiency will be achieved.

It was also suggested that the Workgroup should consider any conflicts in relation to the current appeal being assessed by Ofgem and likely requested changes to the process that may result. GE clarified this Modification aimed to make changes for BP24 and should not impact any current appeal.

Panel Questions:

Q1. How is efficiency defined?

Q2. How does this Modification interact with the current Appeal and the Appeal process?

For Modification 0841 Members determined (with 14 Panel votes available):

- There are Cross-Code impacts, by unanimous vote (14 out of 14).
- The criteria for Self-Governance is not met, as this Modification is likely to have a material effect on competition in the shipping, transportation, or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation, or supply of gas conveyed through pipes, by unanimous vote (14 out of 14).
- The Modification should be issued to a Workgroup, with a report to be presented to the 15 June 2023 Panel, by majority vote (13 out of 14).

305.12. Existing Modifications for Reconsiderations

WG wished to note that the Energy Code Panel Chair meetings will be chaired by Elexon going forward.

The following update was provided to the estimated decision dates timetable published at <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>:

Modification	Estimated Decision Date
0696V - Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs	TBC
0761 - Arrangements for Interconnectors with additional Storage capability	28 April 2023
0813 - Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers	19 May 2023
0814 (Urgent) - Temporary Access to the Enhanced Pressure Service and Increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector	Provided 06 March 2023
0823 - Amendment to the Allocation of Entry Capacity and Flow Quantities to Qualifying CNCCD Routes	22 December 2023

305.13. Modification Reporting

Workgroup Extension Requests:

Modification	Current reporting date	Requested Panel reporting date	Reason for request to change Panel reporting date/Comments
0808 - Reverse Compression	April 2023	June 2023	2-month extension
0812R - Review of Alternatives to “Must Read” Arrangements	April 2023	September 2023	5-month extension
0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method	June 2023	September 2023	3-month extension

Legal Text Requests:

UNC Modification Panel Members discussed the Legal Text Requests and determined unanimously to make Legal Text Requests for the following Modification(s):

Legal Text Requests for Modifications	Accepted
0816S - Update to AQ Correction Processes	Yes
0819 - Establishing/Amending a Gas Vacant Site Process	Yes
0834S - Inclusion of the “Process for the Update and Retention of Shared Site Drawings” as a Subsidiary Document within the Offtake Arrangements Document	Yes

305.14. Any Other Business

None

a) Consultation Representations

Kate Elleman (KE) advised Panel Members of the process for managing Representations confirming that initial representations will be assessed by the Workgroup and included in the Workgroup Report. The initial representations going forward will be appended to the Final Modification Report and captured in the Modification discussions.

KE also encouraged all parties responding to a Consultation to use the provided template or as a minimum to use the headings/wording in order of the template for consistency. This was requested to avoid possible misinterpretation or the need for the Joint Office to seek additional clarification.

b) Distribution List Consent

Kate Elleman (KE) reminded parties to respond to the email requesting positive consent to remain on the various Joint Office distribution lists. Several members indicated they had not received an email. It was agreed to take this offline to ensure all Panel Representatives who have not responded are re-issued with the email.

c) Potential Change to Relevant Objectives - Ofgem

R Pomroy (RP) enquired if Ofgem will be considering equity as a new measure/relevant objective when assessing Modifications (under Standard Special Condition A11), following a recent change to the Transporters Licence.

New Action 0301: Ofgem (JS) to confirm the process going forward for assessing Modifications and the need to consider equity.

305.15. Date of Next Meeting(s):

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Time / Date	New Mod Deadline	Venue
10:00 Thursday 20 April 2023	5pm Wednesday 05 April 2023	Teleconference / Microsoft Teams
10:00 Thursday 18 May 2023	5pm Friday 05 May 2023	Teleconference / Microsoft Teams & In Person
10:00 Thursday 15 June 2023	5pm Friday 02 June 2023	Teleconference / Microsoft Teams
10:00 Thursday 20 July 2023	5pm Friday 07 July 2023	Teleconference / Microsoft Teams
10:00 Thursday 17 August 2023	5pm Friday 04 August 2023	Teleconference / Microsoft Teams & In Person
10:00 Thursday 21 September 2023	5pm Friday 08 September 2023	Teleconference / Microsoft Teams
10:00 Thursday 19 October 2023	5pm Friday 6 October 2023	Teleconference / Microsoft Teams
10:00 Thursday 16 November 2023	5pm Friday 03 November 2023	Teleconference / Microsoft Teams & In Person
10:00 Thursday 14 December 2023	5pm Friday 08 December 2023	Teleconference / Microsoft Teams

Panel Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Owner	Reporting Month	Status Update
0201	16/02/23	304.11 (a)	Modification Proposer 0835R (Phil Hobbins) to provide an interim report to Panel on the DSR workplan/timelines and a view on the impacts to the Gas Act and Licenses (March 2023).	Proposer (PH)	March 2023	Closed
0301	16/03/23	305.14 (d)	Ofgem (JS) to confirm the process going forward for assessing Modifications and the need to consider equity.	Ofgem (JS)	April 2023	Pending