

Representation - Modification UNC 0723 (Urgent)

Use of the Isolation Flag to identify sites with abnormal load reduction during COVID-19 period

Responses invited by: **1pm on 27 April 2020**

To: enquiries@gasgovernance.co.uk

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

Representative:	Kirsty Dudley
Organisation:	E.ON
Date of Representation:	27/04/2020
Support or oppose implementation?	Oppose
Relevant Objective:	a) Negative d) Negative

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

We recognise the impacts which COVID-19 has had on organisations, it is not limited to domestic or I&C and there is no single approach to behaviours which are being applied e.g. lockdown = businesses have closed so use has plummeted and therefore domestic use has rocketed. It has not been an equal and opposite application, it has instead seen unique MPRN level use changes with some businesses increasing use to meet demand and others reducing to keep things ticking over and some domestic use has vastly increased with others reducing. Put simply there is no single rule which can be applied.

The solution outlined in this modification creates the mechanism to allow the isolation flag to be applied to sites with very low to no use, although theoretically could assist in the short term by introducing a flag for site, there are likely to be knock on impacts demand estimation modelling and therefore could have unintentional consequences which would be difficult to unpick and could have unintended ramifications in future years modelling.

It is undefined how the evidence will be consistently applied across all, what is deemed adequate by one might not be by all, if it is not robustly applied then it could defeat the object of what this mod is trying to achieve.

It is unclear if the defined term for relevant period links to that outlined in 0721, if that modification is not implemented will it still link to the lockdown period?

It is unclear how companies that have ceased trading whilst having the lockdown isolation flag attached will be managed. We anticipate that the flags will have to be removed and reapplied with the warranty associated to a true isolation.

In the opposite scenario, how will those who reopen and increase use before lockdown ceases be monitored to ensure that the isolation flag has been removed before the end of the lockdown period? The application of the isolation flag could incorrectly influence the modelling in a different way and be harder to unpick.

The UIG taskforce already has an existing issue with sites that are flagged as isolated that are actually consuming gas volumes pre-COVID-19 so allowing the isolation flag to be used temporally due to low levels of consumption is likely to seriously exacerbate that existing issue both during & post the lockdown position, as industry will not be able to tell which are genuine isolations or not until after the lockdown & reads are submitted.

We also believe that the solution could create additional problems with change of supplier/shipper, as the only party privy to the true use of isolation flag is the existing shipper. Any other parties who could have tendered for future contracts for any sites flagged as 'isolated' may decline on the basis the site is isolated when it isn't. As such, we believe that relevant objective d) Securing of effective competition is negative.

This solution could distort the domestic part of the market and see them erroneously picking up charges which are meant for I&Cs, we are not sure the post lockdown impacts have been thoroughly investigated and outlined so we are concerned this solution could just move the problem around.

We would recommend that reporting to identify the COVID-19 instances is put in place should this modification be approved. There needs to be visibility to manage the UIG changes resulting from this (and also that they are backed out as soon as possible) so the profile impacts can be corrected otherwise they will impact profiles for the next 4 years which is something that needs to be avoided.

We believe that a rule which instead rolls over the Formula Year AQ from 2019 into 2020 would be a more generic approach which can be modelled and doesn't have complex rules or require unpicking.

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

If approved, implementation could be immediately after approval.

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

We believe there would be costs to update systems to align to the requirements. Without further detail we would initially size this as a small to medium level change which is unlikely to require a project to mobilise the implementation.

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

Unsure if the definition of 'relevant period' is meant to be also introduced into 0723 as well as part of 0721, if 0721 is not approved does the drafting still link to the period of lockdown?

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

The solution is likely to have an impact on IGT connected sites, so we recommend that that cross-code impacts in the IGT UNC are also considered.

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

No comment.