The Joint Office, relevant Gas Transporters and other interested parties

Our Ref: Net/Cod/Mod/UNC405
Email: industrycodes@ofgem.gov.uk

Date: 17 November 2011

Dear Colleague,

UNC405: Bottom Stop SOQ Appeal Mechanism for 2011/12

Following consideration of the request from Centrica that modification proposal 405: *'Bottom Stop SOQ Appeal Mechanism for 2011/12'* follows urgent modification procedures, we have agreed to the request for urgency.

In reaching our decision on granting urgent status we have considered the details contained within the modification proposal and the Proposer's justification for urgency[1]. As noted in the proposal, in December 2009 the Authority directed UNC modification 275[2] to be implemented. The effect of UNC275 was to allow DM customers who had experienced an unprecedented drop in gas demand to reduce their Supply Point Offtake Quantity (SOQ) to a level more reflective of their current gas usage, and therefore reduce their capacity charges. Such Users would ordinarily be constrained from reducing the SOQ to a level below their Bottom Stop SOQ (BSSOQ), being the highest capacity for any day during October to May within the preceding year. However, UNC275 was only intended to be a temporary measure and as such the ability to reduce SOQ below BSSOQ fell away in January 2011.

The proposer contends that the economic outlook has not improved since UNC275 was developed, and as such the ability for relevant consumers to seek relief from transportation charges that are based on historic, and now inaccurate, capacity requirements remains necessary. The proposer suggests that while the expiration of the temporary window was known to the shipping community, they have raised this proposal in response to a customer request. It is suggested that in the absence of a reduction in the applicable transportation charges, the consumer may need to close the site entirely.

We note that this proposal was discussed at the UNC Modification Panel meeting of 17 November, at which there was a unanimous view that it should be allowed to follow an urgent timetable. The UNC Panel also agreed that should the proposal be granted urgent status, it would convene an ad hoc meeting in order to provide a recommendation on whether the proposal should be implemented within the proposed timetable.

Given the above, Ofgem considers that the criteria for granting urgent status to a modification proposal, as set out in its published guidelines[3], are satisfied. In particular, we consider that the proposal is:

Linked to an imminent issue or a current issue that if not urgently addressed may cause:

[1] http://gasgovernance.co.uk/sites/default/files/Modification%200405%20V1.0.pdf
[2] UNC275: 'Reduction in DM LDZ Exit capacity for Supply Points with significant change in usage'
[3] www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Ofgem%20Guidance%20on%20Code%20Modification%20Urgency%20Criteria.pdf

a) ***a significant commercial impact on parties, consumers or other stakeholder(s);***

In accepting this request we have had particular regard to the fact that it was initially prompted by an end consumer, who has made the case that the continued application of existing capacity charges may be a determining factor in their decision on whether or not to close their site. We are satisfied that if the proposal was not granted urgent status and followed the standard modification process, it is unlikely that a decision could be made before the expiry of the current capacity reduction window, at the end of January 2012. This would result either in the consumer remaining liable for what they consider to be an unnecessarily high capacity charge, with potential consequences as mentioned above, or the need for a more substantial modification involving changes to the capacity reduction dates themselves. We understand that the latter would require significant system changes which would impact all UNC Users.

Urgency Timetable

Ofgem therefore consents to urgency on the grounds that this proposal meets the urgency criteria and agrees that the modification should follow the timetable as follows:

Process	**Date**
Proposal issued for consultation	18/11/11
Close out of representations	01/12/11
Urgent modification report issued	02/12/11
Modification Panel provide recommendation	09/12/11
Ofgem decision expected by	15/12/11
Proposed implementation date (subject to decision)	16/12/11

For the avoidance of doubt, in accepting this request for urgency, Ofgem has made no assessment of the merits of the modification proposal and nothing in this letter in any way fetters the discretion of the Authority in respect of this modification proposal.

If you have any queries in relation to the issues raised in this letter, please feel free to email: industrycodes@ofgem.gov.uk.

Yours sincerely

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