

Stage 04: Final Modification Report	At what stage is this document in the process?
<h1>0532:</h1> <h2>Implementation of Non Effective Days (Project Nexus transitional modification)</h2>	
<p>This modification proposal identifies arrangements relating to the requirement for 'non-effective days' to enable an orderly and efficient transition from current UNC arrangements to the UNC regime identified with UNC Modifications 0432, 0434 and 0440.</p>	
	<p>The Panel recommends implementation</p>
	<p>High Impact: Large Transporters and Shipper Users</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: None</p>

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About this document:	
<p>This Final Modification Report was considered by the Panel on 21 January 2016. The Panel unanimously determined that this modification should be implemented. The Authority will consider the Panel's recommendation and decide whether or not this change should be made.</p>	
Modification timetable:	
Initial consideration by Workgroup	25 March 2015
Amended Modification considered by Workgroup	08 December 2015
Workgroup Report presented to Panel	08 December 2015
Draft Modification Report issued for consultation	17 December 2015
Consultation Close-out for representations	15 January 2016
Final Modification Report published for Panel	18 January 2016
UNC Modification Panel decision	21 January 2016
 Any questions? Contact: Code Administrator  enquiries@gasgovernance.co.uk  0121 288 2107 Proposer: Chris Warner  chris.warner@nationalgrid.com  07778 150668 Transporter: National Grid Distribution Systems Provider: Xoserve  commercial.enquiries@xoserve.com	

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification because it is likely to have a material impact on existing and new gas consumers and competition in the shipping, transportation or supply of gas conveyed through pipes. This is because the consequences of the implementation of non-effective days are that the transfer of Shipper User registration timescales would be longer than normal.

The workgroup agreed with the Panel view on Self-Governance as the modification may have a short term impact on consumers.

Why Change?

As part of the UK-Link Replacement programme, UNC Modifications 0432, 0434 and 0440 will be implemented on the Project Nexus Implementation Date. This has been agreed as being 1st October 2016. To enable a smooth and efficient transition to the new supporting systems it is necessary to set out terms within the UNC Transition Document which identify the dates when the UK-Link systems will be taken off-line and will therefore not be available for normal systems transactions as identified within the UNC.

Solution

Modification of the UNC is required to identify and incorporate 7 'non-effective days' within the UNC Transition Document.

Relevant Objectives

This modification is required to enable implementation of the UK-Link Replacement programme. The measures identified can therefore be expected to facilitate relevant objective f) 'Promotion of efficiency in the implementation and administration of the Code.

Given that the effect of the modification would be to extend the timescales for transfer of Shipper User within the transition period there could be a minor negative effect on competition between Shippers. This Modification therefore does not facilitate relevant objective d) Securing of effective competition between Shipper Users.

Implementation

No implementation timescales are proposed. However, this Modification could be implemented upon direction. It would be desirable if this Modification were implemented by 01 April 2016 in the interests of adding certainty to the transition process for the UK-Link replacement programme.

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

This modification impacts the industry programme for replacement of UK-Link systems. This is because it is necessary to make provision in the UNC for activities (such as those associated with Supply Point Administration) where non-availability of the UK-Link system has a direct consequences for Shipper Users, Suppliers and ultimately consumers.

It is essential to the success of the UK Link Replacement Programme.

2 Why Change?

A number of UNC 'non-effective days' are required to facilitate 'cutover' to the new systems being introduced by the Transporters Agency, Xoserve under the UK-Link replacement programme.

For the purposes of clarity it is important to distinguish a non-effective day from a non-Business Day. A non-Business Day is reflected within the exceptions described within TPD Sections G1.10 - i.e. those Days which are other than a Business Day. Shipper Users may continue to submit Supply Point Administration (SPA) files on non-Business Days but any such files would not be processed. In contrast, all UK-Link systems activity concerned with TPD Sections G and M, in particular that associated with updates to the Supply Point Register is suspended on a non-effective day.

To enable implementation of the UK-Link replacement programme in line with the Project Nexus Implementation Date it is essential that a number of non-effective days are introduced to the UNC Transition Document.

This Modification Proposal is one of a suite of 'complementary' proposals, the others being associated with Supply Point Administration, gas settlement & reconciliation, Annual Quantity (AQ) 'backstop' Meter Readings and Retrospective Adjustment.

The changes within this Proposal were previously contained within UNC Modification Proposal 0528. It was subsequently identified during Workgroup discussion that there is some uncertainty as to when the required non-effective days will be known and the effects implementation of such would have on Shippers, Suppliers and consumers. Consequently to avoid unnecessary delay to development and approval of Modification 0528, the Proposer removed this component from Modification Proposal 0528.

3 Solution

Modification of the UNC is required to identify and incorporate a number of 'non-effective days' within the UNC Transition Document.

Non-effective days constitute UNC non-Business Days but with the following additional features:

- No Supply Point Confirmations can be submitted.
- No revision of the Supply Point Register can be made, including those defined in Annex G-1 Revisions to Supply Point Register not requiring reconfirmation.
- The non-effective days are to apply to UNC TPD Sections G and M. None of the following Code Communications may be made: Supply Point Enquiry, Supply Point Nomination, Supply Point Offer, Supply Point Confirmation, Supply Point Objection, Supply Point Withdrawal, request for Isolation, application to increase or reduce Supply Point Capacity, amend Supply Point Offtake Rate, Revisions to Annual Quantity, NDM Meter Reading and Meter Information Notifications including Meter Information Update Notifications.
- No communication (under the Code or any other contract between the Transporters and Users) pursuant to which Transporter would be required to revise the Supply Point Register (being the Sites and Meters database) may be made.
- The above suspensions shall also apply with respect to Supply Points known as 'unique sites', including Shared Supply Meter Points including the notification and gas allocation processes associated with such Supply Meter Points.
- Daily Metered 'mandatory site' (DMM) liability relief.

- Liability relief related to the processes described above being subject to the Non Effective Days – i.e. Supply Point Offers, Supply Point Nominations (specifically Referrals) and updates to the Supply Point Register where the Meter Installation Works is completed by the Transporter.
- Liability relief is also required for the period with respect to Query Resolution for Invoicing and operational queries.
- Liability relief related to non-availability of UK Link Systems (TPD U7.6.7 (c)) – specifically associated with non-availability of the Batch Transfer and systems and processes defined as unavailable or subject to an outage notification will be sought through UK Link Committee as defined in TPD Section U.

The 7 non-effective days are Saturday 24th to Friday 30th September 2016 inclusive. These will all be prior to the Project Nexus Implementation Date.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	Costs arising from the UK Link replacement and including enhancements to the existing UNC regime have been considered when price controls were set and funding provided. On this basis, no User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

4 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.	Negative
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.	Positive
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

This modification is required to enable the implementation of the UK-Link Replacement programme (including the arrangements identified within Project Nexus UNC Modifications 0432, 0434 and 0440) allowing the transition from current systems and processes to the new versions. The measures identified can therefore be expected to facilitate relevant objective f) 'Promotion of efficiency in the implementation and administration of the Code.

Given that the effect of the modification would be to extend the timescales for transfer of Shipper User, within the transition period, there could be a minor negative effect on competition between Shippers and consumers. This modification therefore does not facilitate relevant objective d) Securing of effective competition between Shipper Users. However, this would need to be taken in context with the positive impacts identified due to the implementation of Project Nexus UNC Modifications 0432, 0434 and 0440 and therefore the impact is not considered to be material.

5 Implementation

No implementation timescales are proposed. However, this Modification could be implemented upon direction. It would be desirable if this Modification were implemented by 01 April 2016 to add certainty to the transition process for implementation of the UK-Link replacement programme.

6 Impacts

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

This modification is essential to the implementation of the UK Link Replacement programme (which incorporates the changes required for Project Nexus). The rationale for this is explained below.

Pre Project Nexus Implementation

The changes will affect the UK Link Replacement programme prior to implementation. This is because it is necessary for the purposes of the lead period to 'cut over' to new systems that the UK-Link system is suspended.

Project Nexus Implementation

It is essential that clarity is forthcoming regarding the application of 'non-effective days for systems 'cut over' in the period up to the Project Nexus Implementation Date.

Post Project Nexus Implementation

This modification contains transitional terms and the obligations, which will expire over time.

7 Legal Text

Text Commentary - Explanatory Table

TRANSITION DOCUMENT, PART IIF ¹	EXPLANATION
Paragraph 9.2.1	This sets out the definition of a Non-effective Day, i.e. a Day in the period 24 – 30 September 2016.
Paragraph 9.2.2	This paragraph identifies the Code Communications which a User or Transporter cannot submit on a Non-effective Day.
Paragraph 9.2.3	Sets out some rules relaxing the relevant liabilities provisions in TPD Sections G, M and S.
Paragraph 9.2.4	This makes clear, that other than in relation to the named paragraphs in TPD Section M, where a period is calculated by reference to a number of System Point Systems Business Day, no account is to be taken of any SUCH Day which is also a Non-effective Day.
Paragraph 9.2.5	Makes clear the rules introduced under the Modification do not constitute a UK Failure for the purposes of TPS Section U.

Text

The following Text has been prepared by National Grid Distribution at the request of the Modification Panel.

TRANSITION DOCUMENT, PART IIF

Add new paragraph 9.2 to read as follows:

¹ This Part TD IIF is introduced under Modification 0528.

9.2 Project Nexus Non-effective Days

9.2.1 For the purposes of this paragraph 9.2 each Day from (and including) 24 September 2016 to (and including) 30 September 2016 is a "**Non-effective Day**".

9.2.2 On a Non-effective Day:

(a) a User may not submit:

- (i) a Supply Point Enquiry, a Supply Point Nomination, a Supply Point Confirmation, a Supply Point Objection or a Supply Point Withdrawal;
- (ii) a notice requesting Isolation under TPD Section G3.5 or a Capacity Revision Application in accordance with TPD Section G5.1;
- (iii) a Meter Reading for a Non-Daily Read Meter; or
- (iv) a Meter Information Notification or a Meter Information Update Notification;

(b) a Transporter shall not be required to make a Supply Point Offer;

(c) neither a User or a Transporter may submit any other Code Communication the effect of which would require the Transporter to amend the Supply Point Register (including where required pursuant to TPD Section G Annex G-1).

9.2.3 For the purposes of:

(a) TPD Section G4.1.2 in determining the period of twelve (12) Supply Point System Business Days no account shall be taken of any Supply Point System Business Day which is also a Non-effective Day;

(b) TPD Section M2.7.4 in determining the period of five (5) Supply Point System Business Days no account shall be taken of any Supply Point System Business Day which is also a Non-effective Day;

(c) TPD Section M5.2 and M6:

(i) the requirement on a Transporter to submit a Valid Meter Reading shall not apply in respect of:

- (1) a Day in respect of which the following Day is a Non-effective Day;
- (2) the last Non-effective Day;

and no account shall be taken of any Day which is a Non-effective Day in the calculation in TPD Section 5.2.2 or 6.1.3;

(ii) in determining the four (4) consecutive Days under TPD Section M5.2.3 no account shall be taken of any Day which is also a Non-effective Day;

(d) TPD Section S4.6 no account shall be taken (for the purposes of the calculation of Incentive Payments in accordance with the GRE Invoice Query Incentive Scheme Methodology) of any GRE Invoice Query received by a Transporter on a Non-effective Day; and

(e) TPD Section S4.7 no account shall be taken of any Queries for which the Query Receipt Day is also a Non-effective Day.

9.2.4 Without prejudice to paragraph 9.2.3, and save in respect of TPD Section M2.5.3(a), 2.6.2(b)(iii) and 4.1.10(a), where a Supply Point Systems Business Day is also a Non-effective Day it shall be dis-regarded for the purposes of calculating any time period referred to in TPD Sections G or M.

9.2.5 Nothing in this paragraph 9.2 shall be treated as giving rise to:

(a) a UK Link Failure for the purposes of TPD Section U7.6; or

(b) any requirement on a Transporter to make a payment to a User.

8 Consultation Responses

Of the 8 representations received 7 supported implementation and 1 offered qualified support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Support	d – negative f - positive	<ul style="list-style-type: none"> Believes this modification will facilitate the implementation of the replacement of UK-Link systems for key retail processes. Costs will be incurred to implement this modification. Although, due to the nature of the wider change programme it is not possible to specify the cost. Implementation of non-effective days will create a “backlog” of transactions that will require processing; currently there is not a defined plan for how the processing of these transitional volumes is to be managed. This needs to be resolved at the earliest opportunity so that industry participants can make the necessary arrangements to mitigate further possible impacts to consumers. Supplier obligations surrounding faster switching will be impacted and that this could have an adverse effect on consumers ability to change supplier during this period. British Gas hopes that Ofgem will consider this in their decision letter and recognise there will be an impact on faster switching timescales.
E.ON	Support	d – negative f - positive	<ul style="list-style-type: none"> Allows for a managed introduction of the changes delivered by the UK Link Replacement Programme, providing clarity and certainty about what business processes need to be suspended to allow the managed transition to the new arrangements. Believes that effectively limiting the ability of the supply point register to be updated may be detrimental to supply competition, therefore this modification does not, on its own facilitate supply competition. Supports implementation as soon as possible to provide clarity on the dates when central systems will be unavailable so that plans can be prepared to manage business processes and any system constraints introduced by this modification. Believes there are considerable impacts associated with such a large number of non-effective days. The assessment of the costs have not been ring-fenced separately from the wider Project Nexus delivery costs, therefore they cannot be separately attributed to this modification.
National Grid Distribution	Support	d – minor negative	<ul style="list-style-type: none"> The ‘transitional’ measures identified in this modification are essential to facilitate implementation of the UK Link replacement programme on 01 October 2016.

		f - positive	<ul style="list-style-type: none"> Noting the comments that this modification could have a minor negative effect on competition, it is recognised that the overall Supply Point transfer timescales could be longer given the need for non-effective days. Whilst this is an unavoidable consequence of the implementation of the Project Nexus programme, they strongly concur for this to be taken in context with the positive impacts identified as a consequence of implementation of Project Nexus related UNC Modifications 0432, 0434 and 0440.
Northern Gas Networks	Support	d – neutral f - positive	<ul style="list-style-type: none"> Implementation is necessary to facilitate implementation of UK Link System Changes that will form part of Project Nexus. Acknowledges the concerns around a small extension of the time taken to transfer Shipper Users but feels this is balanced out by implementation aiding the effective implementation of UK Link replacement system. Agrees implementation before 01 April 2016 would provide additional certainty to industry parties
RWE npower	Support	d – negative f - positive	<ul style="list-style-type: none"> Supports the delivery of the UK Link replacement programme and can be considered to facilitate promotion of efficiency in the implementation and administration of the Code. As the modification extends the transfer timescales for Shippers Users, this will have a minor negative effect on competition, although this is not considered to be material.
ScottishPower	Qualified Support	d – negative f - positive	<ul style="list-style-type: none"> Whilst Scottish Power recognise this modification is necessary to ensure the smooth implementation of Project Nexus, they have concerns about the potential impact on switching obligations and customer expectations. They therefore believe it would be beneficial for Ofgem to set out their position on this. Would like to see the modification implemented as soon as possible, as early certainty is necessary as the modification will result in significant impacts to business processes and systems. There will be costs associated with pausing processes and holding data flows for transmission. They cannot provide an indication of costs. Suggests the creation of a plan to ensure that impacts on consumers are minimised, wherever achievable, and timescales remain as in line with business as usual, as much possible.
SSE	Support	d – negative f - positive	<ul style="list-style-type: none"> Accepts the justification of the Transporter Agency requirement for 7 non-effective days and recognises that the long-term benefits outweigh the short-term negative impact on switching performance. Recognises this modification increases the risk of regulatory non-compliance for Shippers and Suppliers on switching matters. Anticipates that in the event the Authority approves this modification, similar assurances will be provided

			to those for iGT Modification 072, in that the relevant regulatory requirements will be relaxed and not be enforced, most notably for the Gas Supplier SLC14.
Wales & West Utilities	Support	d – negative f - positive	<ul style="list-style-type: none"> • Implementation is required to implement the UK Link system changes to be implemented as part of Project Nexus. • Believes that the positive impact on efficient administration of the Code outweighs the negative impacts on competition. • Supports the early implementation to provide certainty to industry parties. • Believes costs will not be material.

Representations are published alongside the Final Modification Report.

9 Panel Discussions

The Panel Chair summarised that Modification 0532 proposes arrangements for 7 non-effective days to enable the transition between the existing and new UNC regimes identified within Modifications 0432, 0434 and 0440.

Members considered the representations made noting that, of the 8 representations received, 7 supported implementation and 1 offered qualified support.

Members considered relevant objectives d) and f), agreeing that implementation would have positive impact on relevant objective f) because the modification allows for the efficient implementation of new UNC obligations via the transition from current systems and processes to the new versions. Members agreed with respondents with regards to objective d); that there would be a minor negative impact to competition within the transition period since there would be a one-off extended timetable for switching. Nevertheless it was recognised that this needs to be taken in context with the positive impacts identified due to the implementation of Project Nexus UNC Modifications 0432, 0434 and 0440 and therefore the impact is not considered to be material.

Members considered whether a plan for managing consumer implementation could be produced and, if so, who might develop one. It was generally felt that this was a matter for individual shippers/suppliers to decide and not a central industry need.

Members also echoed the view of several respondents that Ofgem should, in providing its direction on this modification, set out their position on switching obligations for Suppliers and Shippers.

Members voted unanimously to recommend implementation of Modification 0532.

10 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0532 should be made.