

Modification proposal:	Uniform Network Code (UNC) 532: Implementation of Non-effective days (Project Nexus transitional modification); and Independent Gas Transporters (IGT) UNC 082: Non-effective Days for Cutover to Single Service Provision in 2016		
Decision:	The Authority ¹ has decided to reject these proposals ²		
Target audience:	UNC Panel, IGT UNC Panel, Parties to the UNC and IGT UNC, and other interested parties		
Date of publication:	30 June 2016	Implementation date:	Not applicable

Background

The suite of industry code modifications developed as part of Project Nexus aims to ensure that the systems underpinning the competitive gas market meet the current and anticipated business requirements of participants in that market. The principal UNC modifications that will give effect to these changes are UNC modifications 432³, 434⁴, 440⁵ and IGT UNC modification 039. All of these modifications were scheduled to be implemented together on the Project Nexus implementation date (PNID), which was originally defined within UNC432 as being 1 October 2015.

On 13 August 2016 the Authority accepted UNC548⁶, which deferred the PNID to 1 October 2016, or such other date as may be determined by the Authority. We subsequently wrote to the IGT UNC Panel, agreeing that the implementation of IGT072⁷ should be deferred⁸.

Following the consultation we published on 2 June 2016 we have today decided that in order to ensure the successful implementation of Project Nexus, the implementation date must be further deferred. We have decided to defer implementation to 1 February – 1 April 2017⁹. The exact implementation date will be determined following a period of detailed planning to be led by PwC in the coming weeks. This is consistent with the recommendation of our independent programme assurance managers PwC, and the views of the majority of those who responded to our consultation on this question.

The modification proposals

In order to facilitate a transition from legacy to new systems, a period of system downtime is required. In order to ensure that there is certainty of the applicable arrangements during this transitional period, including the effect on certain time-specific liabilities, UNC532 and IGT082 seek to set out a number of *non-effective* days in the UNC and IGT UNC respectively.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ UNC432: '[Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform](#)'

⁴ UNC434: '[Project Nexus – Retrospective Adjustment](#)'

⁵ UNC440: '[Project Nexus – iGT Single Service Provider](#)'

⁶ UNC548: '[Project Nexus - deferral of implementation date](#)'

⁷ IGT072: '[Non-effective Days for Cutover to Single Service Provision](#)'

⁸ IGT072 deferral letter at: www.igt-unc.co.uk/ewcommon/tools/download.ashx?docId=4125

⁹ See: [Decision to defer implementation of Project Nexus to ensure a successful implementation](#)

Both UNC532 and IGT082 were predicated on a PNID of 1 October 2016 and proposed to classify the seven days from 24 September 2016 through to 30 September 2016 as *non-effective* days for the purposes of the UNC and IGT UNC respectively.

The full list of UNC sections that would be suspended during the non-effective period is set out in Sections 7 and 9 of the UNC532 and IGT082 Final Modification Reports (FMRs)¹⁰ respectively, and not repeated here.

We note that we accepted a similar modification, UNC535¹¹, allowing a period of two non-effective days on 29 and 30 September 2015. This was to allow sufficient time for revised Annual Quantity (AQ) data to be associated with the relevant registered shipper, and to be utilised for energy demand allocation and other purposes.

IGT UNC and UNC Panel¹² recommendations

At their respective meetings of 20 and 21 January 2016, the IGT UNC and UNC Panels each voted unanimously to recommend that IGTUNC082 and UNC532 be implemented.

Our decisions

We have concluded that the revised implementation date for Project Nexus announced today makes these modification proposals defunct.

Reasons for our decisions

The UNC532 and IGT082 are no longer applicable because the non-effective dates prescribed within them no longer relate to the PNID. However, we have nonetheless set out our thinking on such a non-effective period in order to provide market participants some certainty over any future proposal relating to the revised PNID.

We note the strong support for both UNC532 and IGT082. Seven of the eight respondents to the UNC532 consultation were in support, with the last offering qualified support. Similarly, the six respondents to the IGT082 consultation were unanimous in their support.

The remaining respondent offered qualified support, recognising the circumstances which had prompted the proposal to be raised, but raising concerns at the possible impacts upon customers switching.

We agreed with the Panels that these proposals should be considered against UNC and IGT UNC objectives (d) and (f), and that they would have had a neutral impact upon the other relevant objectives.

(d) the securing of effective competition between relevant shippers

Notwithstanding their support for UNC532 and IGT082, most of the respondents raised concerns at the impacts these proposals may have on switching over the non-effective period. Some considered that, on balance, the resulting impact on competition would be

¹⁰ See: www.gasgovernance.co.uk/sites/default/files/Final%20Modification%20Report%200535%20v2.0.pdf

¹¹ UNC535: '[Implementation of Non Effective Days to enable Annual AQ Review \(independent of Nexus transition\)](#)'

¹² The UNC Panel and IGT UNC Panel are established and constituted from time to time pursuant to and in accordance with the Modification Rules of each code.

neutral, whilst others considered that there would be a negative effect, albeit limited and outweighed by the need to introduce the new systems.

We sympathise with these concerns, and in particular we support the need for all parties and in particular Xoserve to do its utmost to ensure that the impacts on consumers are limited.

Some respondents were specifically concerned that any resulting delays may affect the ability of suppliers to discharge their licence obligations with respect to customer switching timescales. Standard Licence Condition 14A: '*Customer Transfer*' requires gas suppliers to ensure that customer transfers can take place within three weeks of the contractual cooling-off period ending.

We consider that fast and effective switching is fundamental to the effective operation of the energy retail market and, in November 2015, we launched a Significant Code Review (SCR) with the aim of implementing a new switching process that is reliable, fast and cost-effective.¹³ We therefore sympathise with these concerns about the non-effective period. However, we understand that the proposed non-effective days would have little if any impact on overall switching timescales, as this downtime would be recovered by temporarily reducing the objection window, in some cases from the current seven days to two. We therefore expect that customer transfers would have continued to be completed within the timescale prescribed in the supply licence. In the event that there was a systemic problem with completing timely switches over this period, we would take that into consideration.

Further, we also agree with those respondents who recognised that such a period of system downtime is necessary in order to transition to the new Project Nexus systems, which are themselves expected to deliver significant improvements to the market arrangements, as set out in our decision letters on the modifications mentioned above.

We therefore consider that on balance, and to the extent the impacts on switching timescales are suitably mitigated and do not extend beyond the periods set out in the FMRs, that UNC532 and IGT082 would have had a neutral impact upon competition. In particular, whilst non-effective days may temporarily hinder the administration of certain procedures, such a situation should be quickly recoverable when the new systems are operational and be imperceptible to any consumer undertaking a change of supplier over this period.

(f) the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code

We understand that it would not be practicable to transition from existing to new systems without a period of system downtime. The precise days on which that downtime would occur, and its overall duration, was the subject of extensive discussion in the appropriate workgroups. All of the respondents who commented agree that a proposed non-effective period is both necessary and provided appropriate time in order for Xoserve and other parties to undertake the transitional activities. We agree that that a period of non-effective days is necessary, and given the extent to which its timing has been discussed and the absence of any alternative proposal, we were also satisfied that the duration of the proposed non-effective period was appropriate. However, this should not preclude these issues being revisited as part of any future modification proposal.

¹³ https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/switching_scrlaunch_17112015.pdf

We welcome the coordinated approach that was taken with respect to the modification of the UNC and IGT UNC, both in terms of the progression of these modifications and consistency of the non-effective period. This facilitated both a more efficient change process and provided greater certainty to stakeholders than might otherwise have been the case. We hope that this will be repeated in any future modification around a revised non-effective period.

Angelita Bradney
Head of Smarter Markets

Signed on behalf of the Authority and authorised for that purpose