








0580VS:

Implementation of Non Effective Days to enable Annual AQ Review (independent of Nexus transition)

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The volume of data processed to support the Annual AQ process is significant. There is insufficient time to ensure that all AQ data is processed and consistently populated across UK Link Systems and to Users. This modification seeks to introduce Non Effective Days in order to facilitate this review.

	Modification 0580S was subject to a Variation Request to revert to the original solution since Project Nexus Implementation Date will now be in early 2017. The Panel determined that this self-governance modification be implemented
	High Impact: Transporters, Shipper Users, Suppliers
	Medium Impact: None
	Low Impact: None

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About this document:		Systems Provider: Xoserve
This Final Modification Report was considered by the Panel on 21 July 2016.		 commercial.enquiries@xoserve.com
The Panel considered the views presented and the materiality of the Variation Request and agreed that this modification should be implemented.		
The Workgroup recommended the following timetable:		Additional contacts: David Addison
Initial consideration by Workgroup	28 April 2016	 David.Addison@xoserve.com
Workgroup Report presented to Panel	19 May 2016	
Draft Modification Report issued for consultation	19 May 2016	
Consultation Close-out for representations	10 June 2016	
Final Modification Report published for Panel	13 June 2016	
New Issues considered by Workgroup	12 July 2016	
Variation Request for 0580 published	12 July 2016	
Supplemental Report published for Panel	13 July 2016	
Variation Request considered by Panel	21 July 2016	
UNC Modification Panel decision	21 July 2016	

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is a Self Governance modification since it only repeats the Ofgem approved effects of UNC Modification 0535 (which applied to annual AQ review AQ15). Therefore, the non-effective days required for AQ16 do not present a material impact on consumers because the transfer of registration process is not extended.

The Workgroup recommended that modification (0580S) should not follow self-governance procedures, as it is likely this modification could have a material impact on consumers and contractual arrangements. It was noted that although Ofgem had previously approved a similar modification, this would not provide justification that the changes proposed in this modification were immaterial. In addition, the number of non-effective days proposed have increased to ensure they are consistent with those proposed for Project Nexus implementation.

In respect of the varied modification 0580VS, the Workgroup considered that self-governance was appropriate on the basis that providing a clear early signal of the non-effective days allows plans to be put in place that would remove the potential for a material impact on consumers' switching.

Is this a Fast Track Self-Governance Modification?

No, because this is not a housekeeping change.

Why Change?

Without this modification the prescribed timescales in the UNC do not allow enough time to process the significant volumes of data necessary to manage the Annual AQ review. This modification has been raised on behalf of industry parties in order to enable efficient management of the Annual AQ review activities.

Solution

This modification proposes that four (4) Non Effective Days are introduced between 27th and 30th September 2016.

Relevant Objectives

It is proposed that this will have a positive effect on relevant objective (f).

Implementation

No implementation timescales are proposed.

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

This modification does not impact a Significant Code Review.

2 Why Change?

The timescale between the Objection Deadline and the Supply Point Registration Date (commonly referred to as the confirmation period) is 2 business days. These 2 days allow a period where the change of shipper event is confirmed – i.e. it cannot be stopped – and therefore industry participants can undertake activities in preparation for the Supply Point Registration Date.

In normal operation this period is sufficient such that the data can be collated from the Supply Point Administration element of UK Link Systems and provided to Gemini to ensure that the demand attribution can run effectively and that this data is viewable to Users at D-1.

During the AQ Review Process a significant proportion of the Supply Meter Points have AQs recalculated resulting in significant data updates. This requires additional time to collate, validate and propagate the data between the two elements of the UK Link system. Consistent with the AQ Review Process in 2015 (UNC Modification 0535 refers), it is proposed that Non Effective days are added in order to provide sufficient time to process the large volumes of data.

The impact of not making this change will mean that the Gemini will not be able to publish robust Demand figures for NDM sites, therefore this would pose significant risks to Energy Balancing processes and consequently individual User positions.

3 Solution

In order to provide sufficient time to process the large volumes of data, four Non Effective days are required. This modification proposes that four Non Effective Days are introduced between 27th – 30th September 2016. Following industry discussion, it has been agreed that four Non Effective Days are required as this is the minimum period required to process the required data.

The effect of the Non Effective days will primarily bring forward the Objection Deadline to Thursday 22nd September 2016 for change of shipper events where the Supply Point Registration Date is within the critical processing period and the User has submitted the confirmation with the minimum timescales.

This solution enables the Transporter Agency to generate the relevant flows and validate them.

This solution does not impact the minimum switching timescales as this – following Faster Switching – is based upon a minimum number of calendar days having expired. For confirmations that are in progress, with the minimum timescales, it does reduce the objection period for the impacted confirmations.

By setting these dates as Non Effective this will mean that files will not be processed during this time.

It is proposed that the Non Effective days would apply to the following processes in UNC section G and M. The following processes and communications would be impacted as a result of the Non Effective days:

- 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
- NDM Meter Readings
- Meter Information Notifications and Meter Information Update Notifications
- Revisions to AQ – ‘New Business’ Large Supply Point Appeals

Supply Point Confirmations can become effective on these Non Effective days.

These Non Effective days shall not constitute Supply Point System Business Days for the purposes of the above processes.

Relief from DM Liabilities is not required.

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.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	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.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

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.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are	None

satisfied as respects the availability of gas to their domestic customers.	
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 will further relevant objective f), Promotion of efficiency in the implementation and administration of the Code. It will allow the Transporter Agency sufficient time to validate and propagate information within UK Link Systems and to Users within the required timescales. The solution proposed eliminates significant changes to central systems that would have otherwise been required to support Modification 0477 – i.e. to enable the confirmation period and provision of data to Gemini on the same day. Such performance changes from the previous five day window (from D-7, the previous objection deadline, to D-2 when the data is passed to Gemini) to same day processing would have required considerable time to conduct analysis and after implementation may not have delivered the necessary enhancements. This might have only been identified once significant investment had been expended.

5 Implementation

No implementation timescales are proposed. However, as self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

The Workgroup recommends that this modification should not follow self-governance procedures and therefore should be implemented as soon as reasonably practicable following an Ofgem decision to do so.

6 Impacts

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

This modification does not impact a Significant Code Review.

7 Legal Text

Text Commentary

The legal text for this modification seeks to suspend relevant sections of code to enable the Annual AQ review to take place on the 27th, 28th, 29th and 30th September 2016.

Text

The Transition Document Part II C shall be amended by removing the existing paragraph 3 and replacing it with the following new paragraph 3:

3 IMPLEMENTATION OF NON-EFFECTIVE DAYS TO ENABLE ANNUAL AQ REVIEW

- 3.1 In order to enable the annual AQ review 27th, 28th, 29th and 30th September 2016 shall be deemed not to be Supply Point System Business Days for the purposes of:
- a. paragraph 1.6.11 of TPD Section G;
 - b. paragraph 1.8.4 of TPD Section G;
 - c. paragraph 1.17.8 of TPD Section G;
 - d. paragraph 2.3.4 of TPD Section G;
 - e. paragraph 2.4.6 of TPD Section G;
 - f. paragraph 2.5.8 of TPD Section G;
 - g. paragraph 2.5.11 of TPD Section G;
 - h. paragraph 2.6.3 of TPD Section G;
 - i. paragraph 2.7.5 of TPD Section G;
 - j. paragraph 2.8.1 of TPD Section G;
 - k. paragraph 2.8.3 of TPD Section G;
 - l. paragraph 2.8.5 of TPD Section G;
 - m. paragraph 3.1.5 of TPD Section G;
 - n. paragraph 3.2.4 of TPD Section G;
 - o. paragraph 3.3.1 of TPD Section G;
 - p. paragraph 3.3.2 of TPD Section G;
 - q. paragraph 3.5 of TPD Section G;
 - r. paragraph 4.1 of TPD Section G;
 - s. paragraph 5.1.5 of TPD Section G;
 - t. paragraph 5.1.6 of TPD Section G;
 - u. paragraph 5.1.10 of TPD Section G;
 - v. paragraph 5.6.5 of TPD Section G;
 - w. paragraph 3.2.3 of TPD Section M;
 - x. paragraph 3.2.6 of TPD Section M;
 - y. paragraph 3.2.7 of TPD Section M;
 - z. paragraph 3.2.9 of TPD Section M;
 - aa. paragraph 3.2.11 of TPD Section M;
 - bb. paragraph 3.2.15 of TPD Section M;
 - cc. paragraph 3.2.16 of TPD Section M;
 - dd. paragraph 3.3.4 of TPD Section M;
 - ee. paragraph 3.3.7 of TPD Section M;
 - ff. paragraph 3.8.2 of TPD Section M;
 - gg. paragraph 3.8.3 of TPD Section M;
 - hh. paragraph 3.8.4 of TPD Section M; and

8 Consultation Responses

The summaries in the following table(s) are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Report.

Of the 8 representations received 6 supported implementation, 1 offered qualified support, and 1 was not in support.

0580S - Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Support	f – positive	<ul style="list-style-type: none"> • Supports the requirement for industry down time to allow time to complete the AQ updates and ensure the correct AQ data is calculated and provided to shippers. • The non-effective period was extended from four to seven days to align it with the Project Nexus non-effective period. Considering the Ofgem consultation to potentially delay Nexus, it is appropriate for this modification to return back to Workgroup for further development. Following Ofgem’s Nexus consultation decision, which is expected at the end of June, the Workgroup will be better able to align the non-effective period to a Xoserve business requirement, rather than to another project. • Believes this modification does not meet the self-governance criteria as it could have a material impact to customer switching dates. • If Project Nexus is delayed it should be considered if the non-effective days should be reduced from 4 days to 2 days.
EDF Energy	Oppose	f - none	<ul style="list-style-type: none"> • The parallel running of the AQ update and customer switching processes may lead to a material misallocation of energy costs. • This does not efficiently protect suppliers who are actively transferring customers during the relevant period from incurring inaccurate charges. • There is insufficient justification as to why seven days is needed, seven non-effective days is excessive. • Ofgem’s recent consultation identifies that the current go-live date for Project Nexus is at significant risk and that there is a need for clear direction on whether

			<p>Project Nexus is likely to go-live as planned on 01 October 2016. Whilst it may be appropriate to introduce non-effective days, has a preference to reduce the number of non-effective days to the absolute minimum.</p> <ul style="list-style-type: none"> • The number of non-effective days proposed by Modification 0580S is significantly more than Modification 0535; it therefore does not repeat the approved effects of Modification 0535. • Believes that the proposed 7 non-effective days may challenge suppliers' ability to discharge their obligations with respect to customer switching timescales. • The proposed 7 non-effective days are not simply to manage to the Annual AQ review but to align with UNC Modification 0532, therefore it is difficult to determine whether it is likely to have a material impact upon competition in the shipping, transportation or supply of gas.
E.ON UK	Qualified Support	f – positive	<ul style="list-style-type: none"> • There is a need for certainty over the number of non-effective days with sufficient notice to ensure that transfer activity is not disrupted unnecessarily. • This modification is a contingency for a delayed Project Nexus go-live date, and any formal decision to delay Nexus would result in this modification needing to be withdrawn or amended to a reduced number of days, as fewer would be necessary for the AQ processes. • Considers the decision on non-effective days should remain with Ofgem. • Needs clear specification/confidence in respect of arrangements by early August to ensure sufficient time for system changes and sales conversations. • If Project Nexus is delayed then the four days would be reasonable.
Gazprom	Support	f – positive	<ul style="list-style-type: none"> • It provides certainty that the number of non-effective days required for the annual AQ process will be the same whether or not Project Nexus goes live on 01 October 2016. • Believes that as the modification has been subject to change, with the number of days being increased to seven, this modification should no longer be self-governance.
National Grid Distribution	Support	f – positive	<ul style="list-style-type: none"> • The non-effective days are required to process the large quantities of data necessary to manage the 2016 Annual AQ review in much the same way as Modification 0535, which was implemented in 2015 to

			<p>facilitate the 2015 Annual AQ review.</p> <ul style="list-style-type: none"> • Believes that the modification should not be subject to self-governance procedures because it may have a material impact on existing and new gas consumers and competition due to the required number of non-effective days. • Agrees with the pragmatic approach for seven non-effective days (preferable to four) as this would align with the number of non-effective dates proposed within Modification 0532 and would therefore provide certainty.
RWE npower	Support	f - positive	<ul style="list-style-type: none"> • The modification provides clarity to the number of non-effective days required for the AQ process regardless of the date of industry implementation of Project Nexus. • Believes that the modification should not be subject to self-governance procedures as it has resulted in an increase to the number of non-effective days and may have a material impact on customers and competition. • Seven non-effective days aligns with the number of non-effective dates proposed within Modification 0532 and therefore appears to be the best and most pragmatic solution.
Scotia Gas Networks	Support	f - positive	<ul style="list-style-type: none"> • It facilitates the processing and application of AQ data into the UK Link Systems following the annual review process undertaken by Xoserve, through the creation of non-effective days. Similar in nature to Modification 0535 - Implementation of Non Effective Days to enable Annual AQ Review (independent of Nexus transition), although the number of non-effective days differs between the modifications. • The non-effective days proposed coincide with Modification 0532. This would provide the industry with stability and certainty when liaising with customers regarding their contractual arrangements, thus mitigating the risk of any adverse impact to consumers, especially given that confirmations may become live during the non-effective days. • The modification was originally deemed to be self-governance. However, as the non-effective days have increased from four to seven, in order to reflect arrangements under Modification 0532, now considers that the modification is no longer self-governance. • Notes that the Workgroup concluded that seven non-effective days would be most appropriate as the consistent arrangements between Modifications 0580S

			and 0532 would provide the shipping community with certainty and stability when liaising with customers.
Wales & West Utilities	Support	d(i) - negative f - positive	<ul style="list-style-type: none"> • Observes there to be a negative effect relating to relevant objective d)(i), but believes this to be outweighed by the positive effect under f). • Provides the time required for the annual AQ process to take place and certainty that there will be the same number of non-effective days whether or not Project Nexus Implementation Date is 01 October 2016. • Believes this modification should no longer be subject to self-governance as the number of non-effective days has been increased to seven which means that this proposal no longer replicates Modification 0535 raised for the 2015 AQ Review, and seven non-effective days is likely to have a material effect on competition. • An increase in the number of non-effective days to seven will (perhaps counter intuitively at first sight), support competition between gas shippers by ensuring consistency in the number of non-effective days. • Notes that when considering this modification in isolation, increasing the number of non-effective days beyond what is required is likely to have an adverse effect on competition by unnecessarily reducing the ability of consumers to change Shipper. It is, therefore difficult to argue that implementation of more non-effective days than is necessary for the stated purpose supports relevant objective f)).

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report, and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

9 Workgroup Supplemental Report

At the request of the Proposer, in consideration of respondent's views about a potential delay to the Nexus implementation date, Panel agreed that this report should be returned to Workgroup for further consideration. The following questions were identified by Panel for the Workgroup to consider:

1. Make a recommendation as to the number of non-effective days that should be proposed should the Project Nexus Implementation Date be changed;
2. Should a variation to the Solution be proposed, provide a recommendation on whether it should be considered material or non material.

Workgroup Consideration and Recommendations

The Workgroup considered these matters at its meeting on 12 July 2016. Participants noted that, since

Panel's referral, Ofgem had announced that the Project Nexus Implementation Date would be further deferred to early 2017. This effectively removes any dependency between the AQ16 process described in this proposal and Project Nexus.

Since Modification 0580S had already been consulted upon, a Variation Request would be required to amend the Solution. It is noted that the Variation seeks to revert to the original 0580S Solution.

The Workgroup recommends that:

1. The number of non-effective days should be amended to the required four (4) days
2. The resulting Variation should be considered as non-material on the basis that there is a reduction in non-effective days from those in 0580S, making this a beneficial variation. In addition, it was noted that wide engagement has taken place and parties are in agreement.

The Workgroup asked Panel to note that a decision is required by industry parties in a timely manner to ensure that plans can be put in place to ensure that consumers' switching Suppliers are not impacted over the period in question.

10 Panel Discussions

Discussion

Panel noted the Workgroup's Supplemental Report and Variation Request. Having considered the 0580S Modification Report and Variation Request, the Panel determined that 0580S should be withdrawn and be superseded by 0580VS.

The Panel Chair summarised that Modification 0580VS would introduce four non-effective days between 27 and 30 September 2016, in order to ensure there is sufficient time to process all AQ data in support of the Annual AQ Review process.

The Panel determined that the Variation Request submitted was not material, therefore new Modification 0580VS would continue from the point in the Modification Rules reached by Modification 0580S.

Members considered the representations originally made against Modification 0580S noting that, of the 8 representations received 6 supported implementation, 1 offered qualified support, and 1 was not in support.

Self-Governance

The Modification Panel originally determined that this was a Self-Governance modification as it originally repeated the approved effects of UNC Modification 0535 - Implementation of Non Effective Days to enable Annual AQ Review (independent of Nexus transition). Therefore, the non-effective days required did not present a material impact. However when the non-effective days had been increased to seven days inline with UNC Modification 0532 the Workgroup recommended that this modification should not follow self-governance procedures, as it is likely this modification could have a material impact on consumers and contractual arrangements.

Members considered the recommendation from the Workgroup that Self-Governance should apply to the varied Modification 0580VS since early certainty allows for effective planning of consumer switching, thus removing the risk of a material impact to competition. Members concurred in majority with this view and agreed that self-governance should still apply.

Consideration of Relevant Objectives

Members considered relevant objective f), agreeing that implementation would have a positive impact on

the efficient implementation and administration of the Code as it will allow the Transporter Agency sufficient time to validate and propagate information within UK Link Systems and to Users within the required timescales.

Members considered relevant objectives d), agreeing that implementation would be unlikely to have material impacts because the non-effective days can be accommodated within switching processes. The benefits of having accurate data feeding into allocation and settlement processes outweighed any slight disadvantage due to non-effective days for processing.

Panel Determinations

Members voted with 10 votes in favour (out of a possible 11), to implement Modification 0580VS.

11 Recommendation

Panel Determination

Members agreed:

- that Modification 0580VS should be implemented