

UNC Final Modification Report		At what stage is this document in the process?
<h1>UNC 0700 (Urgent):</h1> <h2>Enabling large scale utilisation of Class 3</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> 01 Modification </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>Following publication of the 2019/20 Unidentified Gas (UIG) Weighting Factors, Shippers' communications and actions indicate they intend to migrate significant numbers of Supply Meter Points to Class 3.</p> <p>This Modification seeks to ensure that the CDSP has capability to manage the significant increase in Class 3 Supply Meter Point read submissions.</p> <p>The changes in the Modification seek to minimise the impact on the above Shippers by focusing mitigating actions on End User Category (EUC) Band 1 which covers the majority (circa 99%) of Supply Meter Points.</p>		
	Panel consideration is due on 15 August 2019 <i>(at short notice by prior agreement)</i>	
	High Impact: CDSP, Shippers	
	Medium Impact: None	
	Low Impact: Transporters	

Contents		
1	Summary	3
2	Governance	4
3	Why Change?	5
4	Code Specific Matters	5
5	Solution	6
6	Impacts & Other Considerations	8
7	Relevant Objectives	9
8	Implementation	9
9	Legal Text	10
10	Consultation	10
11	Panel Discussions	22
12	Recommendations	22
Timetable		
Modification timetable:		
Modification sent to Ofgem	19 July 2019	
Ofgem Decision on Urgency	By 22 July 2019	 07773 151 572
Consultation commences (assumes at least 11 Business Days)	By 23 July 2019	
Consultation Close-out for representations	07 August 2019	
Final Modification Report available for Panel	09 August 2019	
Modification Panel recommendation	15 August 2019	
Ofgem Decision	28 August 2019	
		Contact: Joint Office of Gas Transporters  enquiries@gasgovernance.co.uk  0121 288 2107 Proposer: Steve Mulinganie Gazprom  steve.mulinganie@gazprom-energy.com  07990 972568 Transporter: Guv Dosanjh Cadent  Gurvinder.Dosanjh@cadentgas.com  07773 151 572 Systems Provider: Xoserve  UKLink@xoserve.com Other: David Addison  david.addison@xoserve.com  07428 559800

1 Summary

What

This Modification seeks to support the significant migration to and utilisation of Class 3¹ for Supply Meter Points looking to benefit from the 2019/20 UIG weighting Factors set out in the AUG Table.

The Modification proposes a variety of key mitigations including but not limited to:

- Amendment of the Meter Readings Batch Submission approach;
- Management of impacts to the UK Link systems by loading submitted Meter Readings into an interim staging area; and,
- Provision for the loading of a weekly Meter Reading from the interim staging area to UK Link systems that will be used for downstream processes such as reconciliation and Annual Quantity (AQ) calculation.

This Modification focuses, where possible, the mitigating actions on Smaller Supply Points in End User Category (EUC) 01, which covers 99% of the Supply Meter Points. For context approximately 250,000 Supply Meter Points are in EUC bands 02 to 09, whereas 24 million Supply Meter Points are in EUC 01.

Why

Class 3 Supply Meter Points can provide a daily Meter Reading in up to monthly batches. Take up of Class 3 to date has been limited since migration to the new UK Link system, as Class 3 has to date primarily been used to manage shape i.e. where the standard profiles are not representative of sites' consumption patterns.

Actual peak day Meter Reading volumes since Nexus implementation have not exceeded 1.7 million Meter Readings (peak was in December 2017). Submission of a Meter Reading into the UK Link system prompts complex processing for settlement and derivation of the Annual Quantity for that Supply Meter Point.

However, the publication of the final UIG Weighting Factors for Gas Year 2019/20 and their subsequent approval at April 2019 UNC Committee has created an increased demand for Class 3, due to the relative difference in the size of weighting Factors for both Class 3 and 4, for EUC 01 in particular. As at 01 July 2019 there were c. 170,000 Class 3 sites, with a sharp increase seen since the publication of the new weighting Factors. Shippers have indicated that they plan to migrate up to 4.5 million sites into Class 3, as a direct result of the 2019/20 Factors.

Migration to Class 3 will create an unprecedented volume of Meter Readings and the current UNC rules do not prevent all Shippers Users submitting batches of a full month of Meter Readings for each Class 3 Supply Meter Point on the same day. This could result in peak day volumes of up to 135 million meter readings (calculated using 30 Meter Readings multiplied by projected Class 3 uptake of 4.5m).

¹ The key feature of Class 3 is, according to UNC Transportation Principal Document Section M Supply Point Metering (TPD M5.8.3a): *For each Class 3 Supply Meter: (a) a Valid Daily Meter Reading shall be obtained for each Day;*

For more detail please see: <http://www.gasgovernance.co.uk/TPD>

How

This Modification seeks to:

- Introduce Class 3 Meter Reading submission rules to reduce the maximum peak processing day by amending the Batch Submission rules for Class 3 Supply Meters.
- Introduce equitable transition rules to Class 3 Supply Meters. Primarily this process and volumes will be defined in the UK Link Manual², affording the CDSP capability to reject where this value is breached.

The solution and mitigation approach to support the increased Meter Reading Submissions will be required until capacity scaling can be undertaken or demonstrated jointly by the CDSP and Shipper Users that this mitigation approach is no longer required.

This additional step will enable controlled application of certain Meter Readings to existing UK Link tables (as distinct from the interim staging table) and application of the existing Validation, described in the UNC and the UK Link Manual for Smaller Supply Meter Points (i.e. EUC band 01). It is intended that for EUC 01 Supply Points a minimum of one Meter Reading per week will be loaded to these existing tables. Only these Meter Readings will be used further within the UK Link systems for downstream processes – for example to be considered within the calculation of the Amendment Invoice and for AQ Calculation. Consequently, this aspect of the solution will need to:

- Define the extent to which Meter Readings which have been submitted by the User, and that remain within the staging table, are treated.
- Define how the Meter Readings that remain within the staging area can be considered to contribute towards performance for the individual Supply Meter Point, without full validation as described in the UNC, the UNC Validation Rules and the UK Link Manual. Only Meter Readings subject to validation shall be responded to in the response file.

2 Governance

Justification for Urgency

Urgent status is requested for this Modification, as it concerns an imminent risk that large scale migration to Class 3, and the attendant Meter Reading volumes, could exceed UK Link system capacity resulting in inability to process UK Link Communications. In the event that this results in the failure of processes described in TPD Section G of the UNC this could present a material commercial impact to Shipper Users and consumers. As such, this Modification is considered to meet Ofgem's Urgency criteria a), which if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s)³.

The revised UIG Weighting Factors are due to take effect from 01 October 2019. Since the Weighting Factors have been announced, the CDSP has been informed that 4.5 million Supply Meter Points will be moved into Class 3 in order to receive the commercial advantages available to Class 3.

² The changes to UK Link Manual will be governed by DSC Change Committee. The changes are further elucidated in Section 5 – Solution.

³ 'Ofgem Guidance on Code Modification Urgency Criteria' can be found here:

<http://www.gasgovernance.co.uk/mods>

This migratory behaviour can already be observed, and the potential commercial gains point to further increasing migration. Migration of this volume of Supply Meter Points to Class 3 presents material risk to the UK Link system, as this has been unaccounted for in any UK Link system capacity planning and consequently no scaling of the UK Link system has yet been initiated.

This Modification seeks to implement mitigations that will amend the UNC to manage the transition to Class 3. These mitigations are such that the profile of Class 3 EUC 01 Meter Reading submission is flattened to maximise the existing system capability and reduce the risk of capacity breaches, which in turn could impact other processes conducted within the UK Link systems.

Requested Next Steps

This Modification should:

- be treated as Urgent and should proceed as such under a timetable agreed with the Authority.

3 Why Change?

Whilst the potential Meter Reading capability of the UK Link Application has been proven in performance testing, UK Link systems have not been scaled to support the volume of Class 3 Supply Meter Points at the peak volume that could be presented if submission profiles are not managed. Following publication of the 2019/20 UIG Weighting Factors, Shippers provided an indication of the take up of the Class 3 product, and consequently created the need to initiate the scaling of the necessary components such that large volumes can be managed without risk to other processes conducted within the UK Link systems. The changes proposed within this Modification will require CDSP changes in order to support the migration to Class 3, triggered by the 2019/20 UIG Weighting Factors.

If these changes to the UNC are not to be implemented, Shipper Users could breach UK Link processing capability, which could mean that UK Link systems are not available to process Meter Readings and potentially other processes essential to the operation of the UK gas industry.

For the avoidance of doubt, any Meter Readings that are Valid or 'assured' will be retained by the CDSP and will be candidates to be used for NDM Demand Estimation, subject to the existing criteria.

Monitoring of Class 3 Meter Reading performance, and consequent actions, are considered within UNC Modification 0664⁴ so are not considered within this Modification.

4 Code Specific Matters

Reference Documents

The UK Link Manual contains document 'UKLBD2 UK LINK IS SERVICE DEFINITION' which describes the Design Maximum Volumes of the UK Link system, and the obligations for the CDSP and Users to maintain a UK Link system capacity plan.

AUG Table <https://www.gasgovernance.co.uk/augenex/1920>

⁴ For further detail please see:

<http://www.gasgovernance.co.uk/0664>

Knowledge/Skills

No specific skills or knowledge has been identified as necessary to support this Modification.

5 Solution

This Modification seeks to:

- Introduce new Class 3 Meter Reading submission rules to reduce the maximum peak processing day afforded by the UNC to enable efficient use of existing UK Link system components capacity and also that of User systems. This will be achieved by requiring that Class 3 Meter Readings will be submitted by the 10th calendar Day after the Read Date. For the avoidance of doubt this can be by either a daily submission or a Weekly Batch.
- Introduce equitable transition rules to Class 3 Supply Meters.

Currently the UK Link Manual specifies the maximum number of Supply Point Amendments that may be processed on a Supply Point system Business Day, but the UNC does not afford the CDSP the opportunity to reject any breaches of this value, save where the maximum file size is breached. Following implementation of this Modification, Users shall provide, in a timely manner, their anticipated volumes of Class 3 Supply Points within their Portfolio.

The UK Link Manual does not currently attempt to apportion volumes to each individual User to manage constraints. It is proposed that this apportionment method is defined in the UK Link Manual as a portfolio split by those Users who have indicated within any given Month, of their intention to add new Class 3 Supply Meters, and where the available capacity is breached by the requested capacity, the outcome will need to be reviewed by the DSC Contract Management Committee. If a User does not notify their intention, they will not be allocated any capacity in the event of a capacity constraint.

Users are also able to change Class at Confirmation, including where the Shipper does not change. Where a Confirmation is undertaken which does not change either the Supplier or Shipper and which effects a Class Change to Class 3, for the avoidance of doubt, this will be considered as a utilisation of Supply Point Amendment capacity from that Shipper's allocation

As part of the solution to support this increased Meter Reading Submission, the CDSP plans to load Non-Opening Meter Readings to an interim staging table. This additional step will enable controlled application of Meter Readings to existing tables and application of the existing Validation described in the UNC and the UK Link Manual. It is intended that a minimum of one EUC 01 Meter Reading per week will be loaded to these existing tables. Only these Meter Readings will be used further within the UK Link systems for downstream processes – for example to be considered within the calculation of the Amendment Invoice and for AQ Calculation. This aspect of the solution will need to:

- Define the extent to which Meter Readings which have been submitted by the User and that remain within the staging table are not to be considered as 'Valid' as defined in TPD M 5.2.1, and consequently, for example, are not necessary to be used for Offtake Reconciliation (TPD M 5.1.7 and 5.8.6). For the avoidance of doubt, for the purposes of Offtake Reconciliation any Meter Readings retained in the interim staging area (and not passed further within UK Link systems) will not be used for Offtake Reconciliation and the CDSP derived profile will be used between Valid Meter Readings.
- Define how the Meter Readings that remain within the staging area can be considered 'assured' for the purposes of meeting performance criteria within TPD M 5.8.3(a). This is proposed to be done on the basis that the Reading that is taken for Validation is considered representative, and following such Meter

Reading being determined as Valid, all other Meter Readings for that Supply Meter Point within the candidate period in the staging table shall be considered 'assured' for the purposes of performance.

Where such Meter Reading fails Validation, a further Meter Reading shall be subjected to Validation. Where this passes the remaining Meter Readings (but not the first Meter Reading that failed the validation) within the staging table shall be considered 'assured'. Validation failure of the second Meter Reading will result in no Meter Readings being marked as 'assured'. Only Meter Readings subject to validation shall be responded to in the response file.

For the avoidance of doubt, any Meter Readings that are Valid or 'assured' will be retained by the CDSP and will be candidates to be used for NDM Demand Estimation, subject to the existing criteria.

Business Rules

1. All Class 3 Meter Readings to be submitted by the 10th calendar day after the Meter Read Date.
2. All Class 3 Meter Reads will be loaded into an "interim staging area". For the avoidance of doubt Shippers do not have to send EUC 01 Class 3 Meter Reads separately. All Class 3 Meter Readings will be submitted by the 10th calendar Day after the Meter Read Date. For the avoidance of doubt this can be by either a daily submission or a Weekly Batch.
3. All Class 3 EUC 02 - 09 Meter Reads will subsequently be loaded into UK Link as normal.
4. All Class 3 EUC 01 Meter Reads will be held in the interim staging area, then on a Weekly basis a minimum of 1 Meter Read will be loaded into UK Link for each Class 3 EUC 01 Supply Meter Point. The Shipper may specify a particular Meter Reading Date that the CDSP must seek to load to UK Link systems within each Month specifically in order for Shippers to align Settlement periods with the CDSP. If that Meter Reading fails to load then Xoserve will select the next available Meter Reading. For the avoidance of doubt if this Meter Reading fails to load, no further attempt will be made to load further Meter Readings within that Weekly 'batch'.
5. Shippers shall, in good faith, provide indicative volumes of transfers to Class 3 and CDSP shall monitor the requested volumes against capacity of Class Changes and where the CDSP determines that this will impact the ability to process the indicative volumes, Shippers will be limited to a User Class 3 Daily Capacity which shall be determined by the CDSP. The CDSP shall ensure the fair and equitable allocation of Class 3 Daily Capacity between all relevant Market Participants who have requested capacity of Class Changes. In the event of any challenge to the Class 3 Daily Capacity it will be referred to the DSC Contract Management Committee for determination.
6. Only Meter Readings that are Valid (i.e. that are passed to the UK Link system from the staging table, but not the readings that remain in the staging table) are subject to Replacement – note: this is in line with existing UK Link functionality and does not create estimated Meter Readings between Class 3 Actuals. For the avoidance of doubt, CDSP estimates that are loaded to UK Link will continue to be subject to Replacement.

For the avoidance of doubt, no new performance management targets will be set out in this Modification and instead, any additional or amended performance management targets will be established based on operational experience.

6 Impacts & Other Considerations

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

No specific impacts are identified to the CSS SCR.

Consumer Impacts

Limited impacts to consumers are identified. It is believed that the observed migration to Class 3 Supply Meters Points are solely due to the UIG Weighting Factors. It is not believed that this proposal will impact the products available to Consumers directly and aims to mitigate any potential risks to systems which might indirectly impact switching processes.

Cross Code Impacts

Preliminary assessment has indicated that a separate IGT UNC Modification is not necessary since the impacted areas of the UNC are utilised by the IGT UNC at a high level. Provided that the references used within the UNC Legal Text are retained, an IGT UNC Modification is not expected to be necessary.

EU Code Impacts

None identified.

Central Systems Impacts

This Modification gives the CDSP the ability to better manage an unforeseen volume of Meter Readings, within the UNC. UK Link systems will need to be amended to implement aspects of this Modification.

7 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 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 furthers Relevant Objective f) as it promotes efficient use of UK Link systems and avoids the need for over investment in capacity that will potentially be redundant for significant portions of any given month, by smoothing Meter Reading submission profiles. This will avoid the need to build additional capacity for those Supply Meter Points which have been moved to Class 3 purely to take advantage of the UIG Weighting Factors.

8 Implementation

As Urgent Procedures are proposed, implementation would be agreed at DSC Change Committee in consideration of direction or guidance provided by the Authority.

9 Legal Text

Text Commentary

To be provided by Transporters.

Text

To be provided by Transporters.

10 Consultation

Panel invited representations from interested parties on 22 July 2019. The summaries in the following table are provided for reference on a reasonable endeavours basis only. It is recommended that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 14 representations received 4 supported implementation, 9 offered qualified support, and 1 was not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas Centrica	Support	f - positive	<ul style="list-style-type: none"> • Supports the Modification as it delivers the benefits of Class 3 functionality within Xoserve's stated system constraints. • Requires more detail about the solution to be able to provide a complete consultation response. • Believes there is insufficient detail regarding implementation and costs at this stage to comment. • Cannot comment on the full legal text, as this has not been included in the Modification. • Feels there is no definition of 'week' or 'weekly' in the UNC which would be required for this proposal. • British Gas Centrica would like some clarification on the Business Rules; <ul style="list-style-type: none"> ○ <i>Point 4: what would be the mechanism for specifying the meter read date? How can we change the meter read date if required?</i> ○ <i>Point 6: if a replacement read is required will you be obtaining the read from the staging table list?</i>
Cadent	Support	f - positive	<ul style="list-style-type: none"> • Believes the Modification is required to address an imminent theoretical risk should batches of Monthly reads be submitted by each Shipper on the same day for every class 3 site from 1 October 2019.

			<ul style="list-style-type: none"> • Notes this is to be an enduring arrangement and a further modification would be required, where the capacity to process all potential Class 3 reads was made available in the future. • Proposes implementation should be as soon as possible after an Authority decision. • Does not expect any Transporter cost impact as costs to administer this change and any subsequent costs to increase future capacity to facilitate large scale submission of Class 3 Meter Readings should be borne by Shipper Users. • Confirms as Legal Text provider, that Cadent are satisfied that the provided text fully meets the intent of the solution.
CNG Ltd	Qualified Support	f - positive	<ul style="list-style-type: none"> • CNG supports the principles of the change as this would limit the risk of high volumes of data being sent at once. • Supports a fast track implementation in order to limit the impacts on central industry systems. • Believes there are no direct impacts on CNG core systems, however CNG would need to implement consequential changes due to our shipper / supplier relationships. • Believes these comments below are not omissions / errors as such but CNG do have the following questions regarding the Legal Text from a shipper perspective: <ul style="list-style-type: none"> ○ <i>Page 7/10, Business Rule 4 – “The Shipper may specify a particular Meter Reading Date that the CDSP must seek to load to UK Link systems within each Month specifically in order for Shippers to align Settlement periods with the CDSP.”</i> ○ <i>How does a Shipper specify the Meter Reading Date for the CDSP? Is this aligning to an existing process or would a new process be required.</i> ○ <i>Page 7/10, Business Rule 5 – “Shippers shall, in good faith, provide indicative volumes of transfers to Class 3 and CDSP shall monitor the requested volumes against capacity of Class Changes and where the CDSP determines that this will impact the ability to process the indicative volumes, Shippers will be limited to a User Class 3 Daily Capacity which shall be determined by the CDSP.”</i> ○ <i>How will the shipper provide the indicative volumes?</i> ○ <i>How will the CDSP determine the Class 3 Daily Capacity per shipper, or all shippers etc, and how will this level be</i>

			<i>communicated?</i>
E.ON	Qualified Support	f - positive	<ul style="list-style-type: none"> • Supports the intent of this Modification and recognises the need for a solution to be deployed because in the absence of this Modification the UK Link systems could fail. • Has concerns that a full and final design solution is not fully developed. • Believes the introduction of a staging table to control EUC 01 readings loaded into UK Link provides a sensible interim solution which will mitigate the possibly of central read systems failing. • Understands as outlined within this Modification, the anticipated uplift in MPRN's participating in product class 3 is expected in gas charging year 2019/20, so E.ON feels that this should be implemented as soon as practically possible. • Suggests a post implementation review to ensure that any unintended consequences are identified as soon as possible. • Anticipates minimal development costs and impacts for both development and ongoing costs if this Modification is approved. • Is unable to comment as the legal text has not been released at the time of this response. Believes at the time of the response no equivalent IGT UNC Modification had been raised and without legal text it is difficult to determine there is no IGT UNC impact.
Gazprom	Support	f - positive	<ul style="list-style-type: none"> • Highlights that as Proposer they raised the Modification to address a material risk to the stability of central systems due to large scale migration to Class 3 ahead of the start of the next Gas Year. • Believes the Modification promotes efficient use of UK Link systems and avoids the need for over investment in capacity that will potentially be redundant for significant portions of any given month, by smoothing Meter Reading submission profiles. This will avoid the need to build additional capacity for those Supply Meter Points which have been moved to Class 3 purely to take advantage of the UIG Weighting Factors. • No significant costs associated with the Modification have been identified. • Welcomes clarification as to how Class 3 EUC1 reads will be managed when considering the application of inner and outer read tolerances. As only a subset of the Class 3 EUC1 reads will be loaded in central systems there is the potential

			<p>for tolerances to be breached which would not have occurred had all the reads been loaded.</p> <ul style="list-style-type: none"> • Notes the need for a suitable performance management regime to be put in place to ensure that parties accessing Class 3 for EUC1 are submitting daily reads in accordance with the requirements for a Class 3 Supply Point. • Due to the urgency of the issue and need for a solution to be implemented quickly Gazprom would welcome the opportunity for further analysis to be undertaken to determine if this tactical solution should continue to be enduring.
National Grid	Qualified Support	f - positive	<ul style="list-style-type: none"> • Supports the intent of the Proposal to introduce rules to manage the expected large-scale migration of Supply points into 'Class 3' with the aim of protecting the ongoing and effective operation of the central systems. • Feels however, this support is qualified given that National Grid consider that there are a number of areas of uncertainty in the solution proposed. • Agrees that implementation of an effective solution would better facilitate Relevant Objective (f) as it would enable the UK Link system to be operated in the most efficient manner to manage re-classification of Supply Points and the Class 3 Meter Readings processing aspects of this issue. • Understands no changes are required to National Grid systems and therefore have no specific requirements for a lead time prior to implementation. • National Grids have provided a significant number of comments on the proposed Legal Text published on 5th August 2019 and the Business Rules (see response for details). • National Grid notes that the Meter Reading performance standard associated with Class 3 is for Users to provide daily Meter Readings for at least 90% of the Class 3 Supply Meters for which it is the Registered User. Believes current Class 3 Meter Reading submission performance (as reported by the UIG task force on 12th July 2019) is currently 63%. Should the anticipated migration occur and result in a step change reduction in Class Meter Reading submission performance, the industry may need to consider the adequacy of incentives to meet the prevailing performance standard and any associated assurance regime. We recognise that UNC Modification Proposal 0664 'Transfer of Sites with Low Read Submission Performance from Class 2 and 3 into Class 4' is one means of addressing this issue.

<p>Northern Gas Networks</p>	<p>Qualified Support</p>	<p>f - positive</p>	<ul style="list-style-type: none"> • Offers qualified support for this Modification, as whilst Northern Gas Networks believes that the risk to UK link (caused by an expected large scale move of meter points from Class 4 to Class 3, brought about by the current UIG weighting), is mitigated by these changes, there is a concern as to the enduring nature of these amendments to the Class 3 structure. • Agrees due to the short timescales imposed by the expected mass movement of sites at the beginning of the 2019/20 gas year, Northern Gas Networks agree that these changes are necessary to protect UK link, however we feel that these should be temporary measures and not be of an enduring nature for the following reasons: <ul style="list-style-type: none"> ○ <i>The enduring nature of this Modification Proposal could negatively impact settlement accuracy in the long run. Currently where a Shipper provides daily reads for a Smaller Supply Meter Point in Class 3, all reads are loaded into UK Link and used for settlement purposes; This proposal reduces this number by restricting the quantity of valid meter reads per Supply Meter that will be loaded into UK Link to one per weekly Batch Period.</i> ○ <i>The Competition & Markets Authority (CMA) Energy Market Investigation found that an increase in frequency of Valid Meter Read submissions would improve the accuracy of the gas settlement process, therefore we feel that the reduction of valid meter reads loaded into UK Link as proposed by this change is not in the spirit of the CMA findings.</i> ○ <i>The removal of monthly and fortnightly submission for Larger Supply Meter Points (EUC 2-9) may have consequential impacts, for example a potential need for enduring system changes, whose costs and development may outweigh the benefits gained by opting into Class 3.</i> • Believes as an enduring solution this proposal provides no timescale to increase the number of reads per Meter Point from a Batch Period to be submitted into UK Link, nor any incentive for this to be increased at all from the minimum stated in the legal text. • Acknowledges that a Modification could be raised in the future to reverse an enduring solution if required, however this carries less oversight and adds additional risks as opposed to it being a temporary solution from the outset. These risks include the fact that additional processes may be written around the enduring solution, making a future
------------------------------	--------------------------	---------------------	---

reversal more complicated due to additional consequential impacts. Also, as enduring there is no oversight of progress, nor incentive, for the solution to actually be amended or reversed in the future.

- Requests that regular status updates be provided to the Data Services Contract (DSC) Contract Management Committee, and should this change be implemented as an enduring solution, we feel that the addition of Performance Assurance Committee (PAC) monitoring should be encouraged.
- Proposes this Modification should further Relevant Objective f) promotion of efficiency in the implementation and administration of the Code by reducing the risk to UK Link caused by a potential exceeding of current processing capacity; Northern Gas Networks believe that the Relevant Objective would be best furthered if the solution was not enduring, as this could adversely impact competition by the reduction of choice and more restrictive timelines for Class 3 Batch Submissions, reducing the positive impacts of this Modification Proposal.
- Due to the urgent status of this Modification, Northern Gas Networks believe that it should be implemented as soon as the systems are available, following Ofgem direction. Northern Gas Networks would prefer this implementation to be on a temporary basis, rather than an enduring basis.
- Do not see any direct impact, development or ongoing costs to Transporter systems.
- Feels as the legal text only become available in the last few days of consultation Northern Gas Networks have not been able to perform a full assessment, however have noted the following discrepancies:
 - *In Section 5.8.2 (c) Supply Point Meters should be corrected to Supply Meters, which would align it with 5.16.2 (a) and the defined term.*
 - *In Section 5.8.3, Smaller Supply Meters should be corrected to Smaller Supply Meter Points, which would align it with 5.8.4 (b), and the defined term.*
 - *Section 5.8.4 (a) should have the superfluous “a” removed from “...in respect of each calendar month”.*
 - *Are unable to comment on the Validation Rules referred to in section 5.8.3 as the proposed rules have not been visible as part of the consultation documents. We do acknowledge that under current arrangements, these proposed revisions will need to be submitted for Uniform Network Code Committee (UNCC) approval.*

			<ul style="list-style-type: none"> • Agrees that it is unlikely that there will be consumer impacts in relation to the Smaller Supply Meter Points (EUC 01), as these are predominantly shipper initiated movements for the UIG factor gains, Northern Gas Networks believe that the loss of fortnightly and monthly Batch Submission options for Larger Supply Meter Points (EUC02-09) may result in the need for system changes whose costs and development may outweigh the benefits they gain by opting into Class 3.
Npower	Support	f - positive	<ul style="list-style-type: none"> • Supports this change as an enabler to ensure that the CDSP has capability to manage the significant increase in Class 3 Supply Meter Point read submissions. • Remains concerned that shippers could move inappropriate sites into class 3 as a mechanism for avoiding additional UIG charges whilst not submitting reads at the appropriate frequency – therefore disadvantaging more responsible shippers • Suggests for this change to be implemented, Npower would like to see the associated Reporting Requirements formally included as part of the Mod; Xoserve, Shipper and PAF reporting should be amended to fully take account of the revised read submission process so that the industry has visibility, transparency and control of shipper read submission performance from day 1 and not in the future where some shippers may have reaped significant commercial advantage by moving sites to class 3.
Ovo Energy	Qualified Support	f - positive	<ul style="list-style-type: none"> • Believes that the methodology provides a short term solution to the immediate issue posed by Xoserve's systems. • Has some concerns which are listed below: <ul style="list-style-type: none"> ○ <i>Business rule 4, as is noted within the Modification report, needs clarifying: would like the methodology for being able to nominate a specific read from the batch that is provided to Xoserve to be set out more clearly. This clearer methodology should note formats and timescales.</i> ○ <i>Would like to place timescales on this Modification. As this Modification will restrict the amount of Class 3 supplies available to each Shipper, and, as smart meters are continually being installed, the number of meters viable for Class 3 settlement will inevitably increase. To negate this Modification becoming a permanent fixture of the code, it is therefore proposed that the restriction on the number of meters that can be switched over to Class 3 is set to a maximum of 6-month timeframe. This</i>

			<p><i>timeframe will provide Xoserve with enough leeway to be able to increase total settlement capacity.</i></p>
ScottishPower	Qualified Support	f - positive	<ul style="list-style-type: none"> • Supports the Modification as it seeks to address the capacity constraint that the CDSP has at present. • Offers qualified support as ScottishPower has concerns on how the management of capacity will be allocated and managed by the CDSP and when the capacity issue is to be end dated. The Modification as it is, would change the definition of Product Class 3 for EUC01. • Agrees the Modification should be implemented as soon as possible after Ofgem Direction. • Has concerns about Business Rule 5 – <i>States Shippers shall in good faith, provide indicative volumes of transfer to product class 3 and the CDSP shall monitor the requested volumes against capacity of class change and where the CDSP determines this will impact the ability to process the indicative volumes. The capacity for Shippers will be determined by the CDSP, it needs to be stipulated how the capacity would be shared out & if there was capacity not being used would other Shippers be allowed to have extra capacity on a given 7 day period.</i>
SGN	Qualified Support	f - positive	<ul style="list-style-type: none"> • Offers qualified support to this Modification as it should provide stability to the CDSP’s central systems when the anticipated migration of sites from class 4 to class 3 takes place, as a result of the UIG weighting factors being amended from October 2019. • Supports this Modification and considers that the solution offers a tactical approach to enable the UK Link system to accommodate the increased take-up of class 3, whilst avoiding potentially expensive technical investment and reinforcement. • Offers qualified support, due to concerns that business rule 5 is insufficiently developed, and as a result the management of allocation of capacity in the systems may become compromised if there is a spike in the volume of sites handled by the CDSP. • Has concerns that the DSC Contract Management Committee will be expected to act as the backstop to make decisions should there be system capacity issues - given the potential commercial impact of any limitation on User Class 3 Daily Capacity submissions. • Believes that greater clarity on the process and defined criteria for submission limitations should be developed and

			<p>accounted for in this modification.</p> <ul style="list-style-type: none"> • Understands this urgent Modification would be implemented shortly after the modification is approved. • Does not expect to have any system development costs resulting from this Modification. Any increase in UK Link capacity which may be needed because of this Modification should be funded by Shippers. • Believes this Modification is focusing on ensuring that the CDSP has the capability to manage the expected increase in Class 3 meter point read submissions, and the support is based on this scope. • Feels however, there is the related issue of whether, and how, a significant migration of sites between sites will actually impact UIG levels. Currently 92%* of Class 4 sites provide a minimum of one read per annum. Should these minimum-read sites be moved to Class 3, there is the risk that a proportion of sites within this class could continue to provide only one actual read per year, resulting in eleven estimated reads. Whilst these sites would benefit from the lower UIG sharing factor, it is difficult to see how their existing read performance would actually lead to any improvements or reductions in the UIG values. Understands whilst this is a related issue, do not consider that this is within the scope of Modification 0700. • Also notes that Modification 0700, in combination with Modification 0664 Transfer of Sites with Low Read Submission Performance from Class 2 and 3 into Class 4 could result in a site effectively cycling between Class 3 and 4. Whilst this risk should be considered and mitigated where possible, we consider that this should be accommodated within modification 0664 and should not delay progression of Modification 0700 and its related solution.
Utilita	Oppose	f – negative	<ul style="list-style-type: none"> • Believes unfortunately, this Modification places shippers and suppliers in a no-win situation. The proposed changes on how read submission and validation within class 3 functions has a number of fundamental issues which result in Utilita opposing this Modification. • Understands this Modification changes the expected capability of the system which has been in place for 2 years. There are a number key aspects have been omitted from the final process. • The major one of these is the lack of a mechanism for Xoserve to tell Shippers about a class change. This means

			<p>that Shippers have no way of updating their systems to send appropriate reads instead of batched reads.</p> <ul style="list-style-type: none"> • Feels the justification for change has little to no substance. The Modification explains the problem but not why this is a sensible solution, nor if any alternatives have been considered, including delivering the system that was initially expected. As a result, Utilita have no choice to conclude that there is no cost benefit to customers of Xoserve. • Proposes limitations in terms of the amount of sites can be migrated to class 3 work against Shippers and end consumers with large smart meter portfolios. The AUGÉ decision on class split of UIG has been done to encourage better settlement – this modification will negatively impact customers by delaying them being settled in the most cost effective way. • Utilita will be required to make fundamental changes to our systems to deliver this. These are unachievable and will result in financial detriment. • Suggests if implemented, would expect a generous lead time for any changes to enable us to make the necessary changes in the proposed timescales. • Given the urgent nature of the Modification Utilita have been unable to fully impact assess the cost of the Modification and would like to be able to contribute accurate figure to an appropriately considered cost benefit analysis. • Expect to face significant costs in system development to function cohesively with the new validation framework and the UIG costs. • Suggests the process for read resubmission and replacement has still not been clearly defined and is of vital importance. • Believes the process of FINC reading and the ability to submit our own read is also omitted and requires clarification.
Total Gas & Power	Qualified Support	f - positive	<ul style="list-style-type: none"> • Supports the aim of this Modification which is to provide a solution to prevent the potential failure of the UK Link system, which would be unable to process the volume of reads presented under SPC3 based on current projections. • Believes this Modification provides the best of the currently available options but that due to the very short urgent timescales there remains a lack of clarity in some areas and unanswered questions, particularly around some of the business rules and detail therein such as Aqs and read

			<p>selection and validation.</p> <ul style="list-style-type: none"> • Understands this means that there could be a risk of unintended consequences or implementation issues when these are subsequently worked through by the industry. • Believes the solution is proposed as interim but understands there should be an end date and clarity that current SPC3 functionality will be restored which supports incentives for more frequent read submission and processing. • Does not wish to see flip-flopping between processes to manage class 3 (or any other class of reads) should UIG factors change again or be replaced by a different regime in the future which incentivises behaviours not anticipated by the CDSP. • Proposes the Modification only covers changes to SPC3 and not to other classes but yet large scale moves to other classes could happen now or in the future and require capacity (e.g. based on future UIG factor incentives or for any other commercial reasons). Therefore, they should also be covered in class change capacity clarifications. • Believes that Modification 0664 becomes critical in the context of Modification 0700 and therefore must be implemented before Modification 0700, or simultaneously. • Suggests given the magnitude of the threat to UK Link, as soon as possible. However Total Gas and Power currently unaware of the timescales it would take for CDSP and shippers to make system and process changes so this should be considered. • As stated above, there has not been enough clarity for TGP to assess the impacts and costs but there will be IT system and process implications and therefore costs.
<p>Wales & West Utilities</p>	<p>Qualified Support</p>	<p>f - positive</p>	<ul style="list-style-type: none"> • Supports the Modification as it addresses a likely serious constraint in the UK Link system. • Believes that the solution should have an end date and hence not be enduring. Making the solution enduring means that there is no incentive to restore the current Class 3 functionality. • Proposes that this Modification, once amended to address any shortfalls identified, should be implemented as soon as Ofgem make a direction. • Understands Wales & West Utilities will not incur any additional costs. These changes and any increase in UK Link capacity required should be entirely funded by

		<p>Shippers.</p> <ul style="list-style-type: none"> • Would like to understand the impact of delivering this Modification on Xoserve resources available for other work. Modification 0665 is already being implemented quickly for 1st October 2019 and this Modification cannot fail to have an impact on the change pipeline or other operational processes. • Understands the Legal text is being worked on as this is an urgent Modification, however Wales & West Utilities expect that it will be complex with a number of consequential impacts that will need addressing. • Highlight that there is no definition in the UNC or in this proposal of “Weekly” or “Week”. Makes a number of comments on this, including; <i>It is not clear what will happen should the expected volume of reads not materialise. Presumably in that case the CDSP will process increasing numbers of reads held in the staging area for EUC 01 hence the reference to a minimum of 1 read being loaded on a Weekly basis.</i> • Highlights that with regards to the Class transfer process (Business Rule 5), that the move from Class 3 to 4 is the issue at hand, but it may be worth making this a more general provision at least between Class 3 and Class 4. It may be that if the AUGE factors change again that there is a migration back from Class 3 to Class 4. • Wales & West Utilities are sympathetic to the idea that only Supply Meter Points with a smart meter or Automated Meter Reading should be able to migrate to Class 3 but recognise that in theory the Class 3 read requirement could be met by manual reads though it is difficult to see how this would be cost effective particularly for EUC 01. • Based on current Class 3 read performance it seems likely that the volumes of reads will not reach the level predicted due to some Shippers not submitting sufficient reads and there currently being no method of enforcing compliance with the Code obligations. As the move from Class 4 to Class 3 seems to be driven by commercial considerations some Shippers may also take a very commercial view of the costs and benefits of submitting reads. We recognise that the CDSP cannot design systems based on the assumption that Shippers will not meet Code obligations.
--	--	---

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.

11 Panel Discussions

12 Recommendations

Panel Recommendation

Members recommended:

- that Modification 0700 should [not] be implemented