

Action 1201: Xserve (KA) to liaise internally with the CDSP Retail Energy Code (REC) Regulatory Change team for a written statement on why a REC Change is not required ahead of Modification 0854 implementation and provide a response for inclusion within the Workgroup Report.

Executive Summary

With respect to the question whether there is a need to raise a REC Change to effect the UNC changes, it is the opinion of the CDSP REC Regulatory Change Team that a REC Change is **not** required..

Background

The UNC allows for a Virtual Last Resort User or Contingent Procurement of Supplier Demand to enable options to fulfil Suppliers obligations under a Supplier Undertaking following a User Termination.

Mod 0854 extends these arrangements in the event that the Transporter issues a 'User Premises Termination Notice' (UPTN)) to a User due to application of sanctions (on that User) by the UK government.

Extracts from 0854:

What

If, as a consequence of User (Shipper) Termination, a Supplier in respect of all or some of the Terminated Supply Points is operating under the terms of a binding Undertaking (a 'Supplier Undertaking') it has given to Transporters (i.e. there is no Registered User in place for the relevant Supply Meter Points), the UNC currently provides for:

- a **Virtual Last Resort User ('VLRU')**
enabling the relevant Supplier to utilise other existing User relationships to source additional supplies of gas and make trade nominations to the Terminated User account to balance that portfolio and mitigate increased costs, until a new Registered User is appointed.
- **Contingent Procurement of Supplier Demand ('CPSD')**
requiring that, separate to its role as residual balancer, NGT procures gas to meet the forecast demand of Terminated Supply Meter Points that are temporarily without a Registered User. In this ringfenced role, gas is able to be procured more efficiently compared to purchases actioned via the residual balancer role.

How

It is proposed that NGT may issue a notice (a '**User Premises Termination Notice**' (UPTN)) to a User due to application of sanctions (on that User) by the UK government. This will have the effect of discontinuing the relevant User's Registration for any Supply Meter Points for which it is the prevailing Registered User whilst it remains a 'live' (i.e. not terminated) User. The UPTN will set out the reason(s) for the issue of the UPTN and the date from which the registration of the relevant Supply Meter Points is to be discontinued.

It is proposed that in addition to the existing User Termination trigger for the application of VLRU and CPSD terms (as set out in TPD Section E10.1.1(a) and TPD Section D6.12(a) respectively), the availability of these two mechanisms is also triggered by NGT issuing a UPTN to a User.

CDSP REC Regulatory Team Understanding / Justification for Conclusion

REC Schedule 19 deals with necessary actions following a party exit (including parties who are not REC Parties but may for example be REC Service Users). It includes responsibilities by the appointed Supplier in the event of Supplier of Last Resort event – i.e. responsible Registration activities necessary by the SoLR. It does not specify the circumstances in which any such Market Exit event was initiated – i.e. whether a Shipper exit is as a result of Termination or, subject to UNC Mod 0854 approval, a User Premises Termination Notice. As a consequence, there is no explicit need to update this schedule to include the UPTN.

REC Schedule 19 does require that a Shipper registration is undertaken in accordance with the UNC, but there is no explicit timescale in UNC for how long a Supplier Undertaking can be in effect for, nor is there a timescale in the REC. In short this means that there is no Code obligation for the Supplier to trigger a new Registration according to a specific timescale.

The need of the Supplier Undertaking are set out in Standard Licence Condition 18 of the [Gas Supplier Licence](#), as this deals with Supplier responsibilities to Transporters in the event of Shipper failure. A timescale of 25 Working Days is defined within the Supplier Licence.

The Supplier Undertaking is required as a condition of the Supplier entry process under Market Participant Registration process (see [UNC GT-D](#)). The Supplier Undertaking is specified in the [Market Participant Verification Document](#) in the UK Link Manual.

Conclusion

The above is the CDSP REC Regulatory Team view. Given the REC focus being specific to Registration, and UNC Modification 0854 being concerned with Gas Nomination and Allocation (and effectively Settlement) therefore the CDSP REC Regulatory Team do not consider that a REC Change is required. The solution proposed for 0854 uses the existing Shipper Termination processes and the reason for Registration being undertaken in such circumstances are not defined in the REC.



This document has been shared in advance of submission to the Modification 0854 with the REC Code Manager; Joint Office of Gas Transporters and Distribution Networks to obtain any challenge or contrary view.