

UNC Modification	At what stage is this document in the process?
<h1>UNC 0736A:</h1> <h2>Clarificatory change to the AQ amendment process within TPD G2.3</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #008000; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;"> 01 Modification </div> <div style="border: 1px solid blue; padding: 2px; display: flex; align-items: center; justify-content: center;"> 02 Workgroup Report </div> <div style="border: 1px solid purple; padding: 2px; display: flex; align-items: center; justify-content: center;"> 03 Draft Modification Report </div> <div style="border: 1px solid orange; padding: 2px; display: flex; align-items: center; justify-content: center;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>This Modification proposes to make a change to the AQ amendment process outlined in the Uniform Network Code Transportation Principles Document Section G 2.3 (UNC TPD G2.3) in order to clarify the circumstances in which such amendments can be made and to apply this clarification from the 1 April 2020.</p>	
	<p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> subject to Authority direction due to its materiality considered an alternative to Modification 0736 assessed by a Workgroup <p>This Modification will be presented by the Proposer to the Panel on 17 September 2020 Short Notice Late Paper. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>
	<p>High Impact: Shippers</p>
	<p>Medium Impact: Transporters</p>
	<p>Low Impact: Customers</p>

1 Summary

What

The Uniform Network Code (UNC) currently allows for the amendment of a Supply Point Annual Quantity (AQ) when the AQ does not reflect the expected consumption of gas over the following 12 month period. Three ‘eligible causes’ (G2.3.21) exist which a User can utilise in order to justify the requirement for an AQ amendment.

The AQ amendment process, defined by UNC Modification 0432 - Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform and refined by UNC Modification 0610 - Project Nexus - Miscellaneous Requirements, was always meant to be an exceptions process only and not designed to facilitate mass AQ amendment process changes.

This expectation was outlined within the relevant Project Nexus Business Requirements Definition document (BRD) where it stated

“8.6.1 This is an exception process to amend the AQ in certain circumstances. **This process is not to be used for ‘normal’ AQ increases or decreases whereby the submission of reads will update the AQ over time.**”

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fspublic/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf>

However, we have seen a large scale utilisation of this process as identified in the NTSCMF (see below)

Report measures the count of Shipper Portfolio of MPRNs where AQ Correction process Used

Changes in total number of AQ corrections used

Reason Code 01- Confirmed Theft
 ↑ 1 Monthly Change
 ↓ 1 Annual Change

Reason Code 02- Change in Consumer Plant
 ↑ 13674 Monthly Change
 ↑ 15608 Annual Change

Reason Code 03- Commencement of New Business
 ↑ 1756 Monthly Change
 ↑ 1760 Annual Change

Reason Code 04- Tolerance Change
 ↑ 152 Monthly Change
 ↑ 225 Annual Change

This Modification seeks to address and clarify the intent of the rules regarding which User can make use of the eligible cause “the commencement of a new business activity or discontinuance of an existing business activity at the consumer's premises” (often referred to as ‘Reason Code 3).

We would note that these changes were undertaken at the same time as the industry was seeking to collectively address the adverse impacts of COVID-19. The industry changes relating to the ability to amend customers AQ's and SOQ's (Mod 0721 (Urgent) - Shipper submitted AQ Corrections during COVID-19 & Mod 0725 (Urgent) Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) During COVID-19) were rejected by Ofgem.

This Modification seeks to apply these arrangements retrospectively from the 1st April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User.

Why

The Modification seeks to clarify that a User within the same organisation or an affiliate of the previously Registered User cannot utilise 'Reason Code 3' to justify an AQ amendment. In our view this is a correct interpretation of the process envisaged within the Project Nexus AQ amendment BRD, i.e. only for new registrations following a switching event, "following registration of a new Supply Meter Point evidence that available reads do not represent the AQ recorded".

This Modification seeks to apply these arrangements retrospectively from the 1st April 2020 by reversing any AQ adjustment, thus remedying the material detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User.

How

UNC TPD G2.3.24(b) will be amended to disallow Users from utilising the AQ amendment process as per 'reason code 3' where the relevant Supply Point has moved between Users within the same organisation group. This change will also apply retrospectively from the 1 April 2020 thus addressing thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User

2 Governance

Requested Next Steps

This Modification should:

- Considered a material change and subject Authority Consent
- Assessed by a Workgroup

3 Why Change?

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This Modification seeks to apply these arrangements retrospectively from the 1 April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User.

4 Code Specific Matters

Reference Documents

Annual Quantity Business Requirements Definition for Project Nexus V6.0

[https://gasgov-mst-files.s3.eu-west-](https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fpublic/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf)

[1.amazonaws.com/s3fpublic/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf](https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fpublic/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf)

<https://www.gasgovernance.co.uk/nexus/brd/aq>

Knowledge/Skills

None required.

5 Solution

Business Rules

BR1: A change is required to UNC TPD G2.3.24(b) to disallow a User making an AQ amendment under TPD G2.3.21(c) where the incoming User is a 25% or greater Affiliate of the outgoing User~~where the outgoing User is in the same group, e.g. it is the incoming Users parent, a subsidiary of the incoming User or sister company, i.e. with the same parent as the outgoing User (see reference to 'Shipper User Groups' as a defined term in GTD Section D annex D-2).~~

BR2: Until Shippers have confirmed group details to the CDSP (this should include where they are grouped or confirmation, they do not have a group) that applied as of 1 April 2020, any User submitted AQ Corrections utilising reason code 3 (TPD G2.3.21(c)) will not be classed as valid.

BR3: Where there is a change or amendment to any group arrangements since the 1 April 2020, which amended the Affiliate % level previously notified, the Shipper is responsible for notifying the CDSP of such change, including the dates on which they were in effect.

BR4: These changes will be applied retrospectively from the 1 April 2020 i.e. they will cover any relevant AQ corrections effective from the 1 April 2020. For all AQ Correction using reason code 3 form 1 April 2020, the CDSP will undertake an investigation and where it is identified the AQ Correction is invalid, the AQ Correction must be cancelled by the User, or the CDSP may do so on their behalf at

the User's expense. If this AQ Correction has already become effective, a further AQ Correction must be submitted by the User to take effect within 2 months. Where the User fails to do so the CDSP may do so on their behalf at the User's expense. Once the revised AQ has become effective, the CDSP shall adjust the Capacity Charges for the period that the invalid AQ was effective such that the charges applied will be as if the invalid AQ Correction was never effective.

Transitional Business Rules

BR4: Any AQ correction using reason code 3 submitted from 01 April 2020 to the Modification 0736 implementation date will be deemed as invalid as per BR1 and BR2, unless the User submit within one month, their group details that were effective during this period to evidence the AQ correction was valid.

Where there has been an AQ correction reason code 3 submitted and there is a change or amendment to any group arrangements since the 1 April 2020, which amended the Affiliate % level previously notified such that the AQ correction validity crosses the 25% threshold, the User is responsible for notifying the CDSP of such change, including the dates on which they were in effect.

BR5: In the absence of any or insufficient evidence under BR4, the User will be requested to submit a further AQ Correction to take effect within 2 months of the Modification implementation Where the User fails to do so, the CDSP may do so on their behalf at the User's expense. Once the revised AQ has become effective, the CDSP shall adjust the Capacity Charges for the period that the invalid AQ was effective such that the charges applied will be as if the invalid AQ Correction was never effective.

BR56: For all relevant AQ Corrections at sites where the User has changed since 1 April 2020 (with affiliation determined above), and no AQ Correction has been submitted by the current User since taking ownership of the site, the CDSP will notify/contact the current User of its intention to cancel the and request an AQ Correction is submitted to reverse the AQ or submit evidence to the CDSP that the current AQ is valid and the current User will have within one calendar month of receipt of the request from the CDSP. Where the User fails from the date of the notice to either submit an AQ Correction or submit evidence to the CDSP that the current AQ is valid within one calendar month, the CDSP may submit an AQ correction on their behalf at the User's expense.

Please note, in the above scenario, where the User has changed since 01 April 2020, for the User who initially submitted the invalid AQ correction (regardless whether the subsequent User demonstrates that this AQ correction would have subsequently been valid under this Modification), the CDSP shall adjust the Capacity Charges for the period that the invalid AQ correction was effective such that the charges applied will be as if the invalid AQ correction was never effective. -

6 Impacts & Other Considerations

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

No impact identified

Consumer Impacts

This Modification seeks to apply these arrangements retrospectively from the 1 April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21

but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User which will ultimately be borne by consumers of other Users.

Cross Code Impacts

No impact

EU Code Impacts

No impact

Impacts and other considerations continued

Central Systems Impacts

A change will be required to create and maintain a User Relationship Table.

7 Relevant Objectives

Impact of the modification on the Relevant Charging Methodology Objectives::	
Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers;	None
b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	None
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	Positive
d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None

e) 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
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Relevant Charging Methodology Objective

Relevant Charging Methodology Objective d) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; as this would improve cost reflectivity of capacity charges by better aligning them with a customer’s actual system usage, thereby furthering competition between Shipper and suppliers.

Further by applying these arrangements retrospectively from the 1 April 2020 and remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User which will ultimately be borne by consumers it further improves cost reflectivity of capacity charges by better aligning them with a customer’s actual system usage, thereby furthering competition between Shipper and suppliers.

8 Implementation

We are not proposing a specific implementation date, but it would be beneficial to implement the change as soon as authority direction has been received.

9 Legal Text

Legal text is to be provided.

10 Recommendations

Proposer’s Recommendation to Panel

The Authority is asked to:

- Agree that this Modification should be treated as an Authority decision