









UNC Workgroup Report	At what stage is this document in the process?
<h1>UNC 0746:</h1> <h2>Application of Clarificatory change to the AQ amendment process within TPD G2.3 from 1st April 2020</h2>	
<p>Purpose of Modification:</p> <p>Following the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 this modification applies the change to all relevant transactions which occurred from 01 April 2020</p>	
	<p>The Workgroup recommends that this modification should not be subject to self-governance.</p> <ul style="list-style-type: none"> The Panel will consider this Workgroup Report on 17 June 2021. The Panel will consider the recommendations and determine the appropriate next steps.
	<p>High Impact: Shippers</p>
	<p>Medium Impact: Transporters</p>
	<p>Low Impact: Customers</p>

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Timetable		
Modification Timetable:		
Modification consideration by Panel	17 September 2020	
Initial consideration by Workgroup	24 September 2020	
Workgroup Report presented to Panel	17 June 2021	
Draft Modification Report issued for consultation	17 June 2021	
Consultation Close-out for representations	08 July 10 May 2021	
Final Modification Report available for Panel	13 July 12 May 2021	
Modification Panel recommendation	15 July 20 May 2021	
	(at short notice or 19 August 2021	


 Any questions?


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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. This is intended to cover exceptional circumstances where a "new" Shipper takes over a site and needs to take corrective action.

2.3.20 The Registered User may request a change in the Annual Quantity of a Supply Meter Point on the grounds that the most recently calculated Annual Quantity does not reflect the expected (seasonally adjusted where relevant) consumption of gas over the 12 months following the date of the request due to an eligible cause which occurred after the Read Date of the AQ Opening Reading used in the most recent calculation of the Annual Quantity.

2.3.21 For the purpose of paragraph 2.3.20 "eligible cause" means:

- (a) the confirmed theft of gas (which resulted in the metered consumption in the AQ Metered Period at the Supply Meter Point being less than the actual consumption);
- (b) the installation, replacement or removal of Consumer's Plant which results in a material change in the basis on which gas is consumed; or
- (c) the commencement of a new business activity or discontinuance of an existing business activity at the consumer's premises.

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:

"8.6.1¹ 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.**"

¹ [Annual Quantity Business Requirements Definition for Project Nexus V6.0](#)

However, we have seen a large-scale utilisation of this process as identified in the NTSCMF^[AR1] (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

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 the changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 retrospectively from the 01 April 2020 thus remedying the detrimental transfer of costs₁ (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks)₁ to other Users arising from the use of these arrangements by a User.

Why

This Modification seeks to apply the changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 retrospectively from the 01 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.

How

This change will also apply retrospectively from the 01 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 be:

- Considered a material change and subject Authority Direction.
- Assessed by a Workgroup.

3 Why Change?

This Modification seeks to apply the changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 retrospectively from the 01 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](#)

[All versions of Nexus AQ BRDs](#)

Knowledge/Skills

None required.

5 Solution

Business Rules

Business Rule 1: The changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 will be applied retrospectively in relation to AQ amendments using Reason Code 3 which became effective between 01 April 2020 and 14 January 2021.

Guidance: All relevant AQ amendments using Reason Code 3 between 01 April 2020 and 14 January 2021 will be considered in accordance with Mod 0736S i.e. that the relevant Shipper warrants it did not pick up the MPRN from the same affiliate group when it undertook an AQ amendment using Reason Code 3.

Guidance: For reference, the relevant sections of TPD [G2.3.24](#) are set out below:

- 2.3.24 A User may only give notice requesting a change in the Annual Quantity of a Supply Meter Point under paragraph 2.3.20 for an eligible cause under paragraph 2.3.21(c) where the following conditions are satisfied:
- (a) the notice is given submitted no later than three (3) months after the Supply Point Registration Date;
 - (b) the User has submitted a notification under paragraph 2.3.30;
 - (c) the User was not, prior to the Supply Point Registration Date, and the Existing Registered User for of the Supply Point in which the Supply Meter Point is comprised is neither
 - (i) the User submitting the request for a change in the Annual Quantity; or
 - (ii) a 25% Affiliate of such User.

Business Rule 2: The CDSP will in relation to all changes in scope of BR1 require the relevant User to warrant to the CDSP within 20 Supply Point Business Days of a request from the CDSP, which shall be submitted as soon as reasonably practicable following implementation, that all AQ amendments using Reason Code 3 undertaken in accordance with BR1 were compliant with the requirements of TPD G2.3.24(c).

Guidance: The CDSP will request require the relevant Shipper to confirm within 20 Supply Point Business Days of notification that any AQ amendments using Reason Code 3 made between the 01 April 2020 and the 14 January 2021 comply with the requirements of UNC 0736S.

Business Rule 3: If the User fails to submit a response in accordance with BR2 or does not warrant that that all AQ amendments using Reason Code 3 undertaken in accordance with BR1 are compliant with the requirements of TPD G2.3.24(c) then for those AQ amendments where either the User fails to submit a response or confirmation of compliance with BR1 is not received then TPD G2.3.31 will apply and the relevant AQ amendment using Reason Code 3 shall be deemed to not have applied and any avoided costs will be recovered by the CDSP. The period of adjustment will be defined from the date the AQ amendment became effective until such time that that AQ is revised or there is a Change of Shipper or in the event neither of these activities have occurred, the date of implementation of this modification.

Guidance: If the Shipper confirms the relevant AQ amendment was not done in accordance with 0736S or fails to submit a response within the 20 Supply Point Business Days window then the CDSP will recover any avoided costs. The period of recovery will be from the date the AQ amendment became effective until one of the following:

The earliest date of any subsequent AQ revision,

The earliest date at which a Change of Supplier event occurred,

Or in the absence of the above the date of implementation of this modification.

Business Rule 4: Where a relevant Supply Point AQ has not been revised subsequent to the AQ Correction determined as invalid by BR2, either by AQ calculation (in accordance with TPD G2.3) or amendment (in accordance with TPD G2.3.20) and it remains in the portfolio of the Shipper which carried out such erroneous AQ amendment, (in contravention of TPD G2.3.24(c)(ii)), then Xoserve will have the vires to amend the AQ back to the value prior to the erroneous AQ amendment.

Guidance: This allows the CDSP the vires to amend an erroneous AQ.

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

Effect of not implementing.

This Modification seeks to apply these arrangements retrospectively from the 01 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.

Effect of implementing [AR2].

Need to say a few words about what happens to the money if the mod is implemented.

Consumer Impact Assessment <i>(Workgroup assessment of proposer initial view or subsequent information)</i>	
Criteria	Extent of Impact
Which Consumer groups are affected?	<p><i>Please consider each group and delete if not applicable.</i></p> <ul style="list-style-type: none"> • Domestic Consumers • Small non-domestic Consumers • Large non-domestic Consumers • Very Large Consumers
What costs or benefits will pass through to them?	<p><i>Please explain what costs will ultimately flow through to each Consumer group. If no costs pass through to Consumers, please explain why. Use the General Market Assumptions approved by Panel to express as 'cost per consumer'.</i></p> <p>Insert text here</p>
When will these costs/benefits impact upon consumers?	<p><i>Unless this is 'immediately on implementation', please explain any deferred impact.</i></p> <p>Insert text here</p>
Are there any other Consumer Impacts?	<p><i>Prompts:</i></p> <p><i>Are there any impacts on switching?</i></p> <p><i>Is the provision of information affected?</i></p> <p><i>Are Product Classes affected?</i></p> <p>Insert text here</p>
General Market Assumptions as at December 2016 (to underpin the Costs analysis)	
<i>Number of Domestic consumers</i>	<i>21 million</i>
<i>Number of non-domestic consumers <73,200 kWh/annum</i>	<i>500,000</i>
<i>Number of consumers between 73,200 and 732,000 kWh/annum</i>	<i>250,000</i>
<i>Number of very large consumers >732,000 kWh/annum</i>	<i>26,000</i>

Cross Code Impacts

No impact

EU Code Impacts

No impact

Impacts and other considerations continued

Central Systems Impacts

A change will be required to identify the AQ corrections in question and a process implemented to manage these depending on their circumstance. A DSC Change Proposal has been raised to deliver the solution for Modification 0746 (XRN5286).

Workgroup Impact Assessment

Insert text here[AR3]

Rough Order of Magnitude (ROM) Assessment [AR4]

Cost estimate from CDSP where the Modification relates to a change to a CDSP Service Document

Insert text here

OR

Rough Order of Magnitude (ROM) Assessment <i>(Workgroup assessment of costs)</i>	
Cost estimate from CDSP	Insert text here
Insert Subheading here	Insert text here

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact[AR5]
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.	None

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
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Relevant Objective

[Need a few words on a standard RO](#)

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

Relevant Charging Methodology Objective

We believe the proposal is positive in respect of Relevant Charging Methodology Objective (C) as by applying these arrangements retrospectively from the 1 April 2020 and remedying the detrimental transfer of costs₁ (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks)₁ 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.[AR6]

10 Recommendations

Proposer's Recommendation to Workgroup

[The Workgroup recommends to the panel that this modification should proceed to [consultation](#)[AR7].]