

UNC Panel Chair, the Joint Office,
relevant Gas Transporters, Gas
Shippers, and other interested
parties

Email: industrycodes@ofgem.gov.uk

Date: 7 May 2020

Dear Wanda and colleagues

Uniform Network Code Modification proposal UNC725: 'Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) During COVID-19'

We¹ have received a request from Gazprom Energy that Uniform Network Code (UNC) modification proposal UNC725 '*Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ)*'² *During COVID-19*³ (hereafter "UNC725") should be given urgent status and follow expedited modification procedures. This letter confirms that we have agreed to that request, and sets out the timetable underwhich the modification will proceed.

Background

COVID-19 presents a serious challenge for the energy industry to tackle on behalf of the homes and businesses that depend on the sector for gas and electricity. The 'lock down' of non-essential sectors of the economy, the re-purposing of some sites, and changes in

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we', 'our' and 'us' are used interchangeably in this letter.

² Although commonly used in gas industry documentation, SOQ is not itself a UNC defined term. Whereas the UNC725 refers to the 'System' Offtake Quantity, the Gas Transporters' charging statements refer to the SOQ as being the Supply Point Offtake Quantity, which we therefore consider to be the correct term.

³ Modification proposals are available at <https://www.gasgovernance.co.uk/livemods>

consumer behaviour means energy consumption is varying from season normal patterns to an unprecedented extent. This is having a consequential impact throughout the energy supply chain.

Against this backdrop a specially convened session of the UNC Distribution workgroup was held 14 April 2020 to consider the likely impacts of COVID-19 on the UNC arrangements and potential mitigating actions.⁴ From those discussions initially four modification proposals emerged.⁵ We granted urgency to those modifications on 22 April 2020, and the UNC Panel considered them on 30 April 2020.

We are continuing to consider the issues those UNC modifications raise, including the post implementation issues industry has discussed and included in the FMR. We are also considering those proposals in the round, in light of other initiatives under discussion to address the impacts of the Covid19 crisis. We intend to make a decision on these UNC proposals as soon as possible.

UNC725 is now the fifth modification to be raised from discussions on the 14 April 2020, and today we have agreed to grant urgent status, allowing it to progress on an expedited timetable as set out below.

The modification proposal

UNC725 proposes that for Class 1 and Class 2 Daily Metered (DM) Supply Points, the relevant Gas Shipper will be able to submit revised SOQs to the CDSP during a temporary window between the date UNC725 is implemented and 30 September 2020. The SOQs would then revert to their 1 May 2020 levels with effect 1 October 2020.

This aims to address concerns raised in the 14 April 2020 UNC Distribution workgroup that as a result of the 'lock down' the transportation charges to many Supply Points is not reflective of their actual current use. For DM Supply Points the SOQ will be the registered supply point capacity. For Non-Daily Metered (NDM) Supply Points, the SOQ is calculated using the supply point End User Category, which itself is determined by the Annual Quantity (AQ), and the appropriate load factor.

The SOQ for Class 3 and Class 4 NDM Supply Point sites can be reduced via an AQ correction, submitted to the CDSP. UNC721 proposes to extend the circumstances under

⁴ See: <https://www.gasgovernance.co.uk/dist/140420>

⁵ Those modifications are: UNC721 'Shipper submitted AQ Corrections during COVID-19'; UNC722 'Allow Users to submit Estimated Meter Reading during COVID-19'; UNC723 'Use of Isolation Flag to identify sites with abnormal load reduction during COVID-19 period'; and UNC724 'Amendment to Ratchet charges during COVID-19 period'.

which a Gas Shipper may utilise this process, rather than rely upon the gradual revision of the AQ value through the submission of valid meter reads. However, there is currently no corresponding process for Class 1 and Class 2 DM Supply Points, whose capacity booking requirements can only be changed once a year, in a specific time period (the 'Capacity Reduction Period') between October and January.

UNC Modification Panel View

Given the circumstances and the fact that we have recently granted urgent status to UNC modification proposals UNC721-724, we have not on this occasion sought a formal UNC Panel view on the proposals, as allowed for under paragraph 10.1.1(b) of the Modification Rules.⁶

Authority Decision

We have considered the proposers' justification for urgency for the modification proposal. We have assessed the request against the urgency criteria set out in Ofgem's published guidance⁷. In general, we consider that an urgent modification should be linked to an imminent issue⁸ or a current issue that, if not urgently addressed, may cause a:

- i. significant commercial impact on parties, consumers or other stakeholder(s); or
- ii. significant impact on the safety and security of the electricity and/or gas systems, or;
- iii. party to be in breach of any relevant legal requirements.

We have also considered this modification in the context of our enabling framework for regulatory flexibility during COVID-19, as set out in open letters issued recently to energy network⁹ and retail energy supply¹⁰ companies. In those letters, and other COVID-19 engagement with industry as a whole, we have encouraged parties to identify early, and appropriately mitigate, the impacts of COVID-19 to ensure consumers – especially the vulnerable – are protected from immediate harm, security of supply is maintained, and the health and safety colleagues and consumers is maintained.

We are satisfied that the progression of this modifications proposal and the need for an appropriate response to COVID-19 is *"a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers, or other stakeholders(s)"* and

⁶ UNC Modification Rules: www.gasgovernance.co.uk/sites/default/files/Modification%20Rules_13.pdf

⁷ Ofgem Guidance on Code Modification Urgency Criteria: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>

⁸ The imminent issue may be date related.

⁹ See: https://www.ofgem.gov.uk/system/files/docs/2020/04/networks_letter_0.pdf

¹⁰ See: https://www.ofgem.gov.uk/system/files/docs/2020/04/supplier_letter.pdf

have therefore agreed that the modification proposal should follow the urgent timetable set out below.

Process	Date
Ofgem Decision on Urgency	7 May 2020
Consultation Commences	11 May 2020
Consultation Close-out for representations	13 May 2020
Final Modification Report available for Panel	18 May 2020
Modification Panel recommendation	21 May 2020
Ofgem Decision expected by	22 May 2020

As set out above we are considering a range of complex issues and proposals aimed at addressing the impacts of the COVID-19 crisis, including the UNC modifications currently with us for decision. We will reach decisions on these modifications as soon as possible, though note that the above timetable is subject to change.

For the avoidance of doubt, our decision on urgency should not be treated as any indication of our view on the merits of UNC725, or any of the previous modification proposals that are referenced in this letter.

Yours sincerely

Jacqui Russell
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