








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>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</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:</p> <p>Shippers</p>
	<p>Medium Impact:</p> <p>Transporters</p>
	<p>Low Impact:</p> <p>Customers</p>

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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.

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 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?

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 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-1.amazonaws.com/s3fspublic/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 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), 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, the Shipper is responsible for notifying the CDSP of such change.

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 avoidance of doubt, if following an AQ Correction using reason code 3, the CDSP undertake an investigation and it is identified the AQ Correction is invalid, the AQ Correction can be cancelled.

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

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