

UNC Modification	At what stage is this document in the process?
<h1 data-bbox="132 320 655 412">UNC 0824:</h1> <h2 data-bbox="132 450 1110 734">Appointment of CDSP as the Scheme Administrator for the Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas)</h2>	<div data-bbox="1209 309 1469 627"> <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>To enable Central Data Service Provider (CDSP) to be appointed as Scheme Administrator for implementation and administration of the payment scheme for part of the Government's Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas) scheme within Great Britain, which takes effect from 1<sup>st</sup> October 2022.</p>	
<p><b>Next Steps:</b></p> <p>The Proposer recommends that this Modification should be:</p> <p>Treated as Urgent and should proceed as such under a timetable agreed with the Authority</p>	
<p><b>Impacted Parties:</b></p> <p>High: Consumers; CDSP; Suppliers</p> <p>Low: Shippers</p> <p>None: Distribution Network Operators; Independent Gas Transporters; Transmission</p>	
<p><b>Impacted Codes:</b></p> <p>Independent Gas Transporters (IGT) Whilst IGT sites will be included in the EPG (Gas) Scheme, it is not envisaged that changes will be required to the IGT UNC</p> <p>No impacts have been anticipated to Retail Energy Code (REC) or Smart Energy Code (SEC).</p> <p>For information: BSC - Elexon are performing an equivalent function within the electricity sector, which is being managed under Balancing and Settlement Code (BSC) Modification P446<sup>1</sup>.</p>	

<sup>1</sup> See <https://www.elexon.co.uk/consultation/p446-urgent-modification-consultation/>

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## Timetable

### Modification timetable:

Pre-Modification Discussion at Panel	15th September 2022
Modification raised and sent to Ofgem	16th September 2022
Ofgem decision on urgency	16th September 2022
Modification Proposal issued for consultation (1 day)	16th September 2022
Consultation close-out for representations (12 noon)	21st September 2022
Final Modification Report available for Panel (3pm)	21st September 2022
Modification Panel recommendation	22nd September 2022
Final Modification Report issued to Ofgem	22nd September 2022



Any questions?

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# 1 Summary

## What

An unprecedented volatility of and rises in gas prices in the United Kingdom has resulted in increased Supplier costs leading to instability of the UK energy market with materially increased costs to consumers. As a result of these concerns the Government has proposed the Energy Price Guarantee (EPG) (Gas) Scheme for domestic customers, to secure reductions in the energy bills of domestic consumers in Great Britain. The intention is for the Central Data Service Provider (CDSP) to perform the function of the EPG (Gas) Scheme (the 'Scheme') Administrator and that the scheme to be implemented by 1<sup>st</sup> October 2022.

It will be necessary to ensure that information can be provided to the Department for Business, Energy and Industrial Strategy (BEIS) to monitor and audit the effective management of the Scheme. BEIS will be added to the Data Permissions Matrix to ensure that the relevant information can be shared to support this. Information will need to be passed to Shippers and Suppliers as part of this Scheme. Suppliers will be added to the Data Permissions Matrix to ensure that the relevant portfolio wholesale data can be provided to Suppliers to enable each industry participant to fulfil their activities under the Scheme.

The CDSP will be required to run and analyse the data, and process the receipt and payments of monies in accordance with the scheme.

## Why

This Modification is required to appoint the CDSP as the Scheme Administrator to enable the implementation of the EPG (Gas) by 1<sup>st</sup> October 2022 in line with the Government Direction.

The CDSP has been instructed by BEIS to administer the Scheme and it is believed that this service can be provided efficiently and economically, by leveraging the data that the CDSP has access to and potentially utilising synergies with existing processes operated by the CDSP.

## How

This Modification will assign the function of the Scheme Administrator to the CDSP for the EPG (Gas) Scheme. Under the Scheme Shippers and Suppliers with domestic portfolios in EUC bands 1 & 2 (i.e. 1ND, 1PD, 2ND & 2PD) will be eligible, and are expected to join. The object of the Scheme is to ensure that consumers' energy bills are lower than they would otherwise be under the current price cap arrangements. The intention is for Suppliers to reduce the tariffs that would otherwise be charged to consumers by the value of the support payments made under the Scheme.

The Scheme Document established by the Secretary of State<sup>2</sup>, which will include the Scheme Agreement will set out the details of the Energy Price Guarantee Scheme and the obligations of the Scheme parties. Suppliers will need to accede to the Agreement to become a party to the Scheme and to be eligible to receive payments. The Scheme Document will detail the payment calculations, payment timetable and reconciliation processes.

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<sup>2</sup> Document still pending publication at time of modification being raised. Location will be inserted here at the point of sending out to consultation.

## 2 Governance

### Justification for Urgency

**This Modification is proposed to be subject to Urgency.**

The United Kingdom has been described in many quarters as being subject to an Energy Crisis. Due to the imminent application of the increased Energy Price Cap from 1<sup>st</sup> October 2022 and the significant impact to domestic consumers the Government has intervened to limit the increase in prices that consumers would have otherwise experienced. This intervention was undertaken to avoid a significant proportion of UK households becoming subject to fuel poverty and to reduce the risk to consumers health and wellbeing as a consequence of the increased costs. Therefore, in order to be able to ensure that the EPG (Gas) Scheme can be implemented by 1<sup>st</sup> October 2022 Urgency Status will need to be granted and a suitable urgent timeline will need to be followed.

### Requested Next Steps

- This Modification should be treated as Urgent and should proceed as such under a timetable agreed with the Authority.

This Modification needs to be implemented by 1<sup>st</sup> October 2022. To ensure that the CDSP can perform the role required of it, a decision needs to be received by 23<sup>rd</sup> September 2022 to allow for the CDSP to implement the system changes and operational processes necessary to undertake the Scheme for 1<sup>st</sup> October 2022.

## 3 Why Change?

European energy prices have increased dramatically, following the ending of lockdown and the gas crisis initiated by Russia's invasion of Ukraine. On 26 August 2022 Ofgem announced<sup>3</sup> that the energy price cap will increase to £3,549 per year for a typical household's gas and electricity bill in Britain from October 2022.

Further rises are expected in the future and, as we approach winter, there are concerns over the wellbeing of those who may not be able to afford their energy costs.

The increase in wholesale energy costs could also have wider economic impacts. There has already been an impact on inflation, and Bank of England have predicted that the cost of living crisis is expected to cause a recession<sup>4</sup>. It is also possible that the increased energy costs could cause further Supplier failures. Previously, rising wholesale gas costs caused several Suppliers<sup>5</sup> to fail, as the price cap meant they were unable to pass the increasing costs on to customers. With increasing numbers of customers unable to make payments or who may begin to refuse to pay their bills, there are concerns that additional Supplier failures may be triggered.

The unprecedented volatility and increase to gas prices in the United Kingdom has resulted in increased Supplier costs leading to instability of the UK energy market through Supplier failure and materially increased costs to consumers. The UK Government has proposed the 'EPG' which will be implemented via schemes in both gas and electricity, to protect domestic consumers from a significant proportion of the increase that they otherwise would have faced on 1<sup>st</sup> October with the revised Energy Price Cap.

Shippers who ship for Suppliers with domestic gas consumers within their portfolio will be eligible to participate in the EPG (Gas) Scheme and are expected to do so.

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<sup>3</sup> <https://www.ofgem.gov.uk/publications/ofgem-updates-price-cap-level-and-tightens-rules-suppliers>

<sup>4</sup> <https://www.bankofengland.co.uk/monetary-policy-report/2022/august-2022>

<sup>5</sup> <https://www.forbes.com/uk/advisor/energy/failed-uk-energy-suppliers-update/>

The CDSP needs to be able to put in place the appropriate changes and data permissions in order to provide the relevant consumption data, receive payment from government and pass this on to the relevant Suppliers. This data analysis, calculations and processing of monies will be carried out on a weekly basis from 1<sup>st</sup> October, until the pausing or cessation of the EPG (Gas) Scheme the “Scheme”. Due to the constrained timeline, normal Data Services Contract (DSC) approvals for data permissions and changes will be unable to be followed. Therefore, the CDSP will require the ability to provide the relevant information, and make the relevant system changes without using standard DSC approval routes.

This Modification confirms the role of the CDSP as the Scheme Administrator for the EPG (Gas), and gives them the relevant powers to make changes under the DSC in to facilitate implementation and administration of this Scheme, from 1<sup>st</sup> October 2022, in line with the Government direction.

The Scheme requires that wholesale data relating to Gas Consumption by Suppliers can be provided to each supplier in relation to their portfolio, as well as being shared with BEIS. This data will be provided on a weekly basis.

Following implementation of the Faster Switching Significant Code Review, the addition of parties, and changes to data items within the Data Permissions Matrix, are usually approved by DSC Change Management Committee. As stated, the following would look to be facilitated without the approval of the DSC Change Management Committee:

- It is proposed that information be provided to the Department for Business, Energy and Industrial Strategy (BEIS) to monitor and audit the effective management of the Scheme, as well as to be able to know the values to be paid for each, weekly, period.
- Information will need to be passed to Shippers and Suppliers as part of this Scheme. Suppliers will need to be reinstated to the Data Permissions Matrix to ensure that the relevant portfolio wholesale data can be provided to Suppliers to enable each industry participant to fulfil their activities under the Scheme.

As the CDSP will be performing a separate and distinct role as EPG (Gas) Scheme Administrator, the proposed Modification provides that the DSC Committees will not have any responsibilities in respect of CDSP’s functions as Scheme Administrator.

A new Shipper funded Service Line will be required within the Data Services Contract Service Description Table, for a Direct Service Code Service provided to Shippers to require that the CDSP performs this function.

Should the Modification not be implemented then there is a risk that Government intervention, in the shape of the EPG (Gas) Scheme, deemed necessary to limit the impacts to domestic gas consumers could be at risk of not being implemented by 1<sup>st</sup> October 2022, or at all.

The Government Scheme was created to avoid a significant proportion of UK households becoming subject to fuel poverty and to reduce the risk to consumers health and wellbeing as a consequence of the increased costs. Failure to implement this Scheme would likely lead to material reputational damage to the UK gas sector.

## 4 Code Specific Matters

### Reference Documents

Suggested extra reading (in addition to footnotes):

Energy Bills Support Factsheet - <https://www.gov.uk/government/publications/energy-bills-support/energy-bills-support-factsheet-8-september-2022>

Gov.com announcement of Energy Price Guarantee - <https://www.gov.uk/government/news/government-announces-energy-price-guarantee-for-families-and-businesses-while-urgently-taking-action-to-reform-broken-energy-market>

Ofgem confirmation of Urgency in relation to BSC modification for Electricity version of Scheme - <https://www.ofgem.gov.uk/publications/decision-request-treat-bsc-modification-p446-energy-price-guarantee-scheme-domestic-customers-urgent-modification-proposal>

## 5 Knowledge/Skills

Knowledge of both UNC General Terms Section D and the Data Services Contract (DSC) would be of benefit

## 6 Solution

Changes to General Terms Section D To make changes to the DSC to allow for CDSP to unanimously make decisions without DSC Committee approval; limited to where these decisions relate directly to the implementation and administration of the Energy Price Guarantee (Gas) Scheme and the CDSP's role as administrator of said Scheme

In relation to Energy Price Guarantee (Gas) Scheme:

- BR 1. UNCC/DSC Committees have no role or oversight of CDSP providing EPG (Gas) services;
- BR 2. Neither will, nor will UNC parties, interfere with provision of EPG (Gas) services
- BR 3. All UNC parties waive rights, remedies etc re CDSP providing EPG (Gas) services
- BR 4. CDSP may use all data maintained, and share with others, where required for EPG (Gas) services
- BR 5. CDSP costs in performing EPG (Gas) services are CDSP Costs

For the avoidance of doubt, the CDSP will ensure that the appropriate committees, whilst not directly consulted for approval, will be kept updated on changes and approvals undertaken under the scope of the Scheme.

For the avoidance of doubt

This is envisaged to include additional of parties, and changes to reporting items within the DPM, including the addition of Shipper and BEIS in relation to the Scheme

This is envisaged to include changes to central systems as required for implementation and ongoing maintenance of the Scheme

## 7 Impacts & Other Considerations

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

This Modification does not impact a Significant Code Review.

### **Consumer Impacts**

The purpose of the EPG (Gas) Scheme is to have profound beneficial impacts to domestic consumers to protect them from the material increase in the Energy Price Cap and reduce the risk of consumers being placed into fuel poverty.

The benefits of the Modification would primarily be the securing of reductions in the gas bills of

domestic consumers in Great Britain. It should be recognised that this would have a positive impact on the wellbeing of consumers as well as on the economy. The Modification would also support Suppliers, reducing the likelihood of Supplier failure during the current wholesale energy price increases, and reducing the burden of Supplier failures on those who remain in the market and would have to pick up any mutualisation costs, which would also adversely impact end consumers.

## What is the current consumer experience and what would the new consumer experience be?

The Scheme is expected to be managed by Suppliers to ensure that consumers do not see material price increases.

If this Modification is not delivered the benefits of the Government intervention will not be realised. These benefits include prevention of a significant proportion of UK households being subject to fuel poverty and the attendant risks to consumer wellbeing.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
<p><b>Improved safety and reliability</b></p> <p>The EPG (Gas) is designed to ensure that consumers have access to energy at a price lower than the revised Energy Price Cap effective on 01 October 2022 and any subsequent increase to that Energy Price Cap subject to continuation of the EPG policy. This will benefit all consumers, but particularly vulnerable consumers.</p>	Positive
<p><b>Lower bills than would otherwise be the case</b></p> <p>The EPG (Gas) is designed to ensure that consumers have access to energy at a price lower than the revised Energy Price Cap effective on 01 October 2022 and any subsequent increase to that Energy Price Cap subject to continuation of the Energy Price Guarantee policy. This will benefit all consumers, but particularly vulnerable consumers.</p> <p>The quantifiable benefits have yet to be formally confirmed but the value of the Energy Price Guarantee within gas is expected to be over £10billion per annum.</p>	Positive
<p><b>Reduced environmental damage</b></p> <p>The EPG is designed to ensure that consumers have access to energy at a price lower than the revised Energy Price Cap effective on 01 October 2022 and any subsequent increase to that Energy Price Cap subject to continuation of the EPG policy. This may prevent consumers from looking for alternative, less sustainable, energy sources.</p>	Positive
<p><b>Improved quality of service</b></p> <p>It is not anticipated that the EPG (Gas) will impact the level of quality of service that a consumer enjoys, however it may result in consumers being able to utilise the service more effectively due to increased affordability of each unit of gas</p>	None



<b>Benefits for society as a whole</b>  Whilst the benefits of the Modification would primarily be the securing of reductions in the gas bills of domestic consumers in Great Britain. It should be recognised that this would have a positive impact on the wellbeing of consumers as well as on the economy. The Modification would also support Suppliers, reducing the likelihood of Supplier failure during the current wholesale energy price increases, and reducing the burden of any such failures on those who remain in the market and would have to pick up any mutualisation costs, which would also adversely impact end consumers.	Positive
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## Cross-Code Impacts

An equivalent Modification will be required to the BSC for the electricity sector.

An IGT UNC modification is not envisaged to be required: It is understood that the Data needed and being passed to shippers for this scheme will be at an aggregated capacity level (i.e. at the level governed under the UNC rather than the IGT UNC) and supply point level data (i.e. that governed under the IGT UNC) if used, will only be provided back to the shipper that provided that data. On that basis and as all shippers and all IGT's are parties to the UNC it would suggest that a change to the IGT UNC is unnecessary.

## EU Code Impacts

None identified.

## Central Systems Impacts

The CDSP will be required to undertake system and operational process changes to support their role as the Scheme Administrator of the EPG (Gas)

A new Shipper funded Service Line will be required within the Data Services Contract Service Description Table for a Direct Service Code Service provided to Shippers to require that the CDSP performs this function.

# 8 Relevant Objectives

## Impact of the Modification on the Transporters' Relevant Objectives:

Relevant Objective	Identified impact
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;	Positive



(ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	
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.	Positive
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

The Relevant Objectives of this Modification are expected to be d) securing effective competition between relevant suppliers and e) Provision of reasonable economic incentives for relevant suppliers.

The EPG (Gas) is expected to enable Suppliers to recover their necessary costs as afforded by the Energy Price Cap, whilst protecting consumers from a substantial proportion of the increase that they otherwise would have faced. This consumer protection should reduce instances of bad debt to Suppliers thereby reducing the risk of Supplier (and Shipper) failure and ensuring the continued provision of gas to all domestic consumers.

## 9 Implementation

The implementation date of this Modification is required to be on 1<sup>st</sup> October 2022.

## 10 Legal Text

### Text Commentary

Amendments to existing, and insertion of additional paragraphs to General Terms Section B, and Section D to facilitate the CDSP to act as Energy Price Guarantee Scheme Administrator for Domestic Gas Consumers, including definitions in relation to the Energy Price Guarantee Scheme.

### Text

#### GENERAL TERMS

##### SECTION B – GENERAL

*Add new paragraph 4.2.3 to read as follows:*

4.2.3 The Uniform Network Code Committee shall have no functions, powers or duties in relation to the EPG Scheme or in relation to the CDSP acting as the EPG Scheme Administrator.

##### SECTION D – CDSP AND UK LINK

*Amend paragraph 1.3.1 to read as follows:*

1.3.1 For the purposes of ...

(a) ... the Energy Act 2004;

- (b) ...
  - (i) ...
    - (3) ...operation of the gas industry; and
- (c) services which consist of, are connected with or are ancillary to the CDSP performing the role, functions and responsibilities of the EPG Scheme Administrator (and acting as the agent of the Secretary of State in respect of such role, functions and responsibilities) in connection with the Code and the Data Services Contract (**EPG Scheme Services**).

*Add new paragraph 1.9 to read as follows:*

## **1.9 EPG Scheme**

### **1.9.1 For the purposes of the Code:**

- (1) **EPG Scheme** means the Energy Price Guarantee for Domestic Gas Consumers in Great Britain scheme established by the Secretary of State and set out in the EPG Scheme Document;
- (2) **EPG Scheme Account** means the bank account established by the CDSP for the purposes of the provision of EPG Scheme Services and into which EPG Scheme Payments are received and from which ESG Scheme Payments are made;
- (3) **EPG Scheme Document** means the document of that name issued by the Secretary of State establishing the EPG Scheme (as amended from time to time);
- (4) **EPG Scheme Administrator** means the person designated by the Secretary of State in accordance with the EPG Scheme Document to discharge functions in connection with the operation of the EPG Scheme;
- (5) **EPG Scheme Agreement** means the agreement between the Secretary of State, the CDSP (as the EPG Scheme Administrator) and the EPG Scheme Parties;
- (6) **EPG Scheme Party** means a party to the EPG Scheme Agreement;
- (7) **EPG Scheme Payment** means an amount payable by or to the Secretary of State or by or to an EPG Scheme Party in accordance with the EPG Scheme Document and the EPG Scheme Agreement.

### **1.9.2 The UNC Committee and the DSC Committees shall have no role, functions or responsibilities under the Code or the Data Services Contract in respect of:**

- (8) the implementation and operation of the EPG Scheme; or
- (9) the performance by the CDSP of EPG Scheme Services.

### **1.9.3 Each Party, the UNC Committee and the DSC Committees shall not, whether by act or omission, hinder, restrict or otherwise restrict the CDSP in the performance of EPG Scheme Services, and each Party, the UNC Committee and the DSC Committees shall (to the fullest extent possible) co-operate with, and assist, the CDSP in the performance of EPG Scheme Services.**

### **1.9.4 The CDSP as the EPG Scheme Administrator shall owe no duties or responsibilities to any Party, the UNC Committee or the DSC Committees in performing EPG Scheme Services.**

- 1.9.5 The CDSP shall account for all payments to EPG Scheme Parties separately from CDSP Costs and revenues, and shall receive and hold amounts payable to and by it which comprise EPG Scheme Payments in a separate bank account and in accordance with the requirements of the EPG Scheme Document.
- 1.9.6 Each Party acknowledges that the CDSP as the EPG Scheme Administrator is not required on any day to make payment to EPG Scheme Parties of any amounts which in aggregate are greater than the amounts received from the Secretary of State and standing to the credit of the EPG Scheme Account on such day.
- 1.9.7 Each Party consents to the CDSP providing such data as is maintained by the CDSP for the purposes of the Code to such persons requiring such data where necessary for the performance by the CDSP of EPG Scheme Services and the Data Permissions Matrix may be modified by the CDSP for such purpose.
- 1.9.8 The CDSP may modify the CDSP Service Description for the purposes of performing EPG Scheme Services.
- 1.9.9 Other than as provided for in the EPG Scheme Document, each Party waives any rights or remedies, any claim in damages or any other claim of a financial nature against the CDSP, and each Party further releases the CDSP from any and all duties or liabilities arising in contract, tort (including negligence or nuisance) or otherwise (including breach of statutory duty) in relation to the CDSP's performance of EPG Scheme Services.
- 1.9.10 The costs, expenses and other liabilities incurred by the CDSP in performing EPG Scheme Services shall be CDSP Costs.
- 1.9.11 Paragraph 1.3.1(c)) and this paragraph 1.9 may not be modified without the prior written consent of the Secretary of State.
- 1.9.12 The CDSP shall cease to provide EPG Scheme Services with effect from the date on which the CDSP ceases to be the EPG Scheme Administrator.

*Add new paragraph 4.1.8 to read as follows:*

4.1.8 A DSC Committee shall have no function, power or duty in relation to the EPG Scheme or in relation to the CDSP acting as the EPG Scheme Administrator.

## 11 Recommendations

### Proposer's Recommendation to Panel

The Modification Panel is asked to:

- Agree that this is treated as urgent and should proceed as such under a timetable agreed with the Authority.