












| UNC Final Modification Report   | At what stage is this document in the process?   |
|---|--|
| <h1 data-bbox="132 320 1078 427">UNC 0824 (Urgent):</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="1185 320 1441 638"> <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 01 October 2022.</p>   |  |
| <p><b>Next Steps:</b></p> <p>The Panel recommends implementation</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   |                                |  0121 288 2107  |
| <b>Modification timetable:</b>  |                                | Contact:<br><b>Joint Office of Gas Transporters</b>  |
| Pre-Modification Discussion at Panel 15th September 2022                  |                                |  <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>   |
| Modification raised and sent to Ofgem 16th September 2022                 |                                |  0121 288 2107  |
| Ofgem decision on urgency 16th September 2022                             |                                | Proposer:<br><b>Tracey Saunders</b><br><b>Northern Gas Networks</b>  |
| Modification Proposal issued for consultation (1 day) 16th September 2022 |                                |  <a href="mailto:trsaunders@northern-gas.co.uk">trsaunders@northern-gas.co.uk</a>   |
| Consultation close-out for representations (12 noon) 21st September 2022  |                                |  07580 215743   |
| Final Modification Report available for Panel (3pm) 21st September 2022   |                                | Transporter:<br><b>Tracey Saunders</b><br><b>Northern Gas Networks</b>   |
| Modification Panel recommendation 22nd September 2022                     |                                |  <a href="mailto:trsaunders@northern-gas.co.uk">trsaunders@northern-gas.co.uk</a> |
| Final Modification Report issued to Ofgem 22nd September 2022             |                                |  07580 215743   |
|   |                                | Systems Provider:<br><b>Xoserve</b>  |
|   |                                |  <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>                       |
|   |                                | Other:<br><b>Insert name</b>   |
|   |                                |  email address  |
|   |                                |  telephone  |
|   |                                |  |

# 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, 1NP, 2ND & 2NI) 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.

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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/>

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.

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 parties, and changes to reporting items within the DPM, including the addition of Supplier 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 |
|---|-------------------|
| <b>Improved safety and reliability</b><br>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.  | Positive          |
| <b>Lower bills than would otherwise be the case</b><br>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.<br><br>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. | 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     |
| <p><b>Benefits for society as a whole</b></p> <p>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.</p> | Positive |

## 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<br>(i) the combined pipe-line system, and/ or<br>(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:<br>(i) between relevant shippers;<br>(ii) between relevant suppliers; and/or<br>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers. | Positive          |
| 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:

- (a) "**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;
- (b) "**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;
- (c) "**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);

- (d) **“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;
- (e) **“EPG Scheme Agreement”** means the agreement between the Secretary of State, the CDSP (as the EPG Scheme Administrator) and the EPG Scheme Parties;
- (f) **“EPG Scheme Party”** means a party to the EPG Scheme Agreement;
- (g) **“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:

- (a) the implementation and operation of the EPG Scheme; or
- (b) 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 Consultation

Panel invited representations from interested parties on 16 September 2022. All representations are encompassed within the Appended Representations section.

The following table provides a high-level summary of the representations. Of the six representations received 3 supported implementation, 1 offered qualified support and 2 provided comments.

| Representations were received from the following parties:   |                   |                            |
|---|-------------------|----------------------------|
| Organisation  | Response          | Relevant Objectives        |
| Citizens Advice   | Support           | d) positive<br>e) positive |
| E.ON  | Comments          | d) positive<br>e) positive |
| Northern Gas Networks                                       | Support           | d) positive                |
| Scotland Gas Networks Ltd & Southern Gas Networks Ltd (SGN) | Qualified Support | d) positive<br>e) positive |
| ScottishPower   | Support           | d) positive<br>e) positive |

|                        |          |                    |
|------------------------|----------|--------------------|
| Wales & West Utilities | Comments | d) none<br>e) none |
|------------------------|----------|--------------------|

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

## 12 Panel Discussions

### Discussion

The Panel Chair summarised that Modification 0824 (Urgent) would enable the Central Data Service Provider (CDSP) to be appointed as Scheme Administrator for the 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 01 October 2022.

In addition, it enables the setting up to be done outside of the normal Uniform Network Code (UNC) governance processes.

Panel Members considered the representations made, noting that, of the six representations received, 3 supported implementation, 1 offered qualified support and 2 provided comments.

Panel Members noted that a further representation was submitted past the deadline for submissions. This representation also supported the Modification and is appended to this Final Modification Report.

All Panel Members supported the principle behind the Energy Price Guarantee (EPG), which is due to provide some relief to domestic consumers facing rapidly rising fuel costs.

### Costs

All Panel Members were concerned at the absence of cost data within the Modification. Noting that, costs were provided in Electricity (Modification P446).

In addition, Consultation respondents noted that, it had been difficult or impossible to assess the impact on their businesses due to the lack of detail available regarding the scheme and the concrete details of implementation.

All Panel Members were concerned that the Modification omits any information on a breakdown of costs (neither administration, systems change/systems process setup nor operational) whereas the equivalent Modification in Electricity (Modification P446) contains a breakdown and a total of costs (running costs £500,000 p.a. and set up costs £53,000). Concerns were raised around indirect costs arising for DSC Parties due to delay in business as usual activities, consequential impacts of diversion of key experienced Xoserve resources and the cost of running the scheme.

The CDSP representative, D Turpin, confirmed the scheme costs to be within the region of £300,000 - £500,000 to set up the systems and processes, with £1.0m -1.5m per year to run/administer the scheme. This is currently a best estimate (ordinarily described as a ROM).

All Panel Members expressed concern that the Gas scheme costs presented by the CDSP were up to 3 times the published Elexon costs for administering the equivalent Electricity scheme.

Panel Members stated that Ofgem and BEIS may wish to apply some appropriate scrutiny to this.

The CDSP representative confirmed that payment will be made directly to Suppliers. The CDSP confirmed that both Correla and Xoserve would be carrying out the works needed to deliver and administer the scheme.

## Legal Text

The Independent UNC Modification Panel Chair asked for confirmation as to how Legal Text queries would be resolved and managed. The Ofgem representative, A Sheikh, confirmed that the Legal Text was required to be finalised before the FMR is sent to Ofgem.

P Garner, Head of the Joint Office of Gas Transporters, confirmed that she would be extremely uncomfortable without final sign off of Legal Text at the Panel meeting.

The Legal Text Provider confirmed that she believed many if not all of the queries regarding Legal Text could be resolved during the meeting. She also confirmed that she believed that changes can be made after the Modification is Approved via a housekeeping Modification if accompanied by a letter from the Secretary of State. This will require input from BEIS, which is assumed to be possible.

Panel Members noted that there was concern expressed that some consultation respondents had been unable to complete an assessment of the Legal Text within the timeframe given.

All Panel Members expressed concern at the number of scope of queries received in consultation responses regarding the Legal Text.

Panel Members first considered the points raised in the Consultation response from E.ON<sup>6</sup>.

a) Clauses 4.2.3 / 1.9.2 / 4.1.8 - repetition

The Legal Text Provider provided Panel Members with reassurance that the Legal Drafting was set up to ensure that within each Section of Code the instructions were clear and this styling required some repetition.

b) Clauses 1.9.1 / 1.9.5 - bank account setup

All Panel Members received assurance from the Legal Text Provider that there will be a Trust account set up and maintained as part of the scheme. No monies will pass to the CDSP and the account will be closed once the scheme is closed. The detail of this is not appropriate to be put into the UNC itself. Panel Members requested that details of this are made available as soon as practicable to both the DSC Change and DSC Contract Managers Committee.

Panel Members agreed that the CDSP shall transparently declare all monies transferred and shall make these transactions visible to the relevant DSC Committees, providing appropriate information flow as required.

c) Clause 1.9.2 – formatting/numbering

The Legal Text Provider confirmed that the numbering of (8) and (9) should read (a) and (b) and that in Clause 1.9.1 the numbering should be replaced by (a), (b), (c) ... (g). Panel Members agreed with this change.

d) Clause 1.9.3 – scheme documentation availability

Panel Members expressed concern that there currently is no commitment to publish the scheme rules. All Panel Members agreed that the EPG Document must be made available to DSC Parties by Ofgem and/or BEIS.

It was confirmed that DSC Parties, in this case, means the owners and liability holders of the CDSP.

e) Clause 1.9.9 – Service line and charging to Shippers

Panel Members noted this covers some points raised in the Wales & West Utilities (WWU) Consultation regarding Clauses 1.9.10 and who bears the CDSP costs as well.

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<sup>6</sup> EON consultation response <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2022-09/Representation%20-%20E.ON%200824%20%28Urgent%29.pdf>

All Panel Members agreed that the costs of running scheme are to be funded by DSC Parties, in accordance with conversations at the DSC Contract Management Committee which took place on 14 September 2022.

The CDSP representative, D Turpin, confirmed that he believed the Government's expectation was that costs should be borne by CDSP Parties. He explained that the intention was to use a DSC Service Area with 100% Shipper funding. He explained there is an option to create a new DSC Service Area which allocates the funding solely to Shippers with eligible sites.

Some Panel Members agreed that the CDSP should ensure that the CDSP costs are borne by the appropriate DSC Parties, that is the relevant DSC Parties who are Parties providing services to Suppliers covered by the scheme.

Some Panel Members did not agree, but rather they agreed the service line for the Scheme should be borne by all CDSP Parties.

f) Clause 1.9.10 – CDSP Costs and where monies are to be drawn from

The CDSP representative D Turpin confirmed that there are no unallocated Maintain the Business (MTB) costs in the current Budget and therefore the CDSP will seek to draw from DSC Change Investment Budget as far as possible.

Further he explained that if insufficient funds are available to fund the Scheme in this Financial Year there will be a need to reopen the budget to allow for further funds to be provided.

Panel Members agreed that at the next DSC Change and DSC Contract Management Committee meetings (on 12 October and 19 October 2022 respectively) the CDSP shall provide a breakdown of how the timelines and activities will take place to ensure DSC Parties are kept informed. Further it was stated that the EPG should go as a standing agenda item at both Committees for the foreseeable future.

A Panel Member noted that the Proposal would utilise all of the remaining money in the DSC Change Budget which was otherwise intended to be used for Shipper Changes. This will instead be deployed to cover the cost of this Scheme.

The extent of the costs is covered in a separate section of the FMR.

g) Clause 1.9.12 – Scheme bank account and closure

Panel Members noted this covers some points raised in the WWU consultation regarding Clauses 1.9.5 and 1.9.6 as well.

Panel Members received assurance from the CDSP representative that the bank account would be kept entirely separate, no monies will pass to the CDSP and it will be closed in a controlled manner, upon closure of the scheme.

Panel Members received assurance from the CDSP representative that the scheme rules currently do not allow payment out of the account without prior payment in and that cleared funds will be required before payments are made out of the account.

Panel Members then considered the remaining points raised in the Consultation response from WWU<sup>7</sup>.

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<sup>7</sup> WWU Consultation response <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2022-09/Representation-%20WWU%200824%20%28Urgent%29%201.2.pdf>

h) Clauses 1.9.8 and 1.9.9 – CDSP Services and risks arising

Panel Members agreed that the CDSP shall inform DSC Parties through the DSC Change and DSC Contract Management Committees as to what CDSP Services are to be performed for the Scheme.

Some Panel Members expressed concern that Clause 1.9.9 is impractical and that without seeing the Scheme rules there is little protection from risks arising. Since Xoserve is set up to be not for profit, the consequential impacts of bankruptcy mean that liability will fall on those who back Xoserve as an entity.

The Legal Text Provider stated that the same Legal firm writing the Legal Text for the Modification (Dentons) had been given the task of writing the scheme rules, albeit within a separate section of the legal firm.

i) Clauses 1.9.11 – unreasonable

A Panel Member felt the protection afforded by this paragraph was unreasonable.

The Legal Text Provider confirmed that the legal advice was, that this was the best way to make the scheme run as intended by Government.

Some Panel Members considered that it was arguably unnecessary to grant this freedom to circumvent the Uniform Network Code (UNC) Modification Panel in this way.

**Additional Changes to Legal Text**

Panel Members noted and agreed the two changes put forward by the Legal Text Provider during consultation which are already reflected in the text given in sections 3 and 10 of this report and agreed these changes should be made as follows (changes highlighted in red):

1. This is a change to the 6<sup>th</sup> paragraph in Section 3:

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 ~~(via the Shippers)~~.

2. This is a change to Legal Text Clause 1.9.11:

1.9.11 Paragraph 1.3.1(c)) and this paragraph 1.9 may not be modified with ~~out~~ the prior written consent of the Secretary of State.

Panel Members noted this covers one of the points raised in the WWU consultation regarding Clause 1.9.11.

The Joint Office of Gas Transporters has provided the Legal Text given in Section 10 of this report following instruction from the Legal Text Provider, including an email received on 22 September 2022.

**Governance and timings**

All Panel Members agreed that, whilst it was recognised that the Modification was required imminently, that the time allowed for consultation was inadequate.

All Panel Members were unsure as to why the equivalent Modification in Electricity (Modification P446) was raised earlier and therefore given longer for consultation. The BEIS representative, M Brannan, confirmed that in Electricity it was more obvious who the Scheme Administrator should be, whereas as it took longer to identify the most appropriate party for gas.

All Panel Members agreed that the Modification Business Rules release the CDSP from obligations and liabilities with regard to normal processes, scrutiny and oversight within the UNC, for the purposes of the EPG Scheme. It was stated that there is effectively a transferral of oversight from the UNC to BEIS, who will adopt a monitoring and auditing role for the effective management of the scheme. Panel Members stated that without the



documentation available to support this, it is unclear what this will entail, whether it will be suitable and as to why the Retail Energy Code (REC) was not appointed to the role of administrator for this Scheme. The scheme is currently expected to run for at least 2 years, the expectation should be that the scheme administration would be moved to REC. Some Panel Members suggested that these arrangements should be transitional with the expectation that responsibility transfers to the REC as soon as reasonably practicable.

It was acknowledged that CDSP has supported BEIS and the set up of the scheme with great expediency but this was at the expense of some significant compromises, which under the normal course of business would not be acceptable.

Some Panel Members stated that this should be a Supplier driven REC service and that a contract between REC and Xoserve should be set up longer term, with the service performed by REC with data from Xoserve. It was noted that Suppliers are not a UNC Party so for this reason REC should administer the scheme.

Some Panel Members did not agree that moving the scheme to REC was the correct action without further review, in order that costs and risks could be minimised.

All Panel Members were in agreement that the liability arising from implementation of this Modification is at best unclear. It was noted that the CDSP is a 'not for profit' organisation and questioned why REC was not considered.

### **Documentation**

Some Panel Members expressed frustration at the lack of scheme documentation and the lack of contractual details between BEIS and Xoserve. A request was made that the documentation be made available. Ofgem agreed to request this from BEIS.

### **CDSP Role**

Some Panel Members were in agreement with some Consultation respondents noting that the primary role of the CDSP as defined in **Standard Special Condition A15: Central Data Service Provider**<sup>8</sup> is being put at risk by the additional role and subsidiary role as EPG Scheme Administrator, as enabled by this Modification.

The Independent UNC Modification Panel Chair asked for clarification around liability. The BEIS representative, M Brannan, confirmed that the scheme documentation covers the concerns raised around liability for the owners and funding partners of Xoserve.

A Panel Member stated that costs should be socialised, but should solely be borne by the domestic market, since no equivalent scheme is in existence for the I&C market. Some Panel Members disagreed stating that the costs should be borne by all CDSP Parties.

A Panel Member expressed extreme concern that the Modification may result in exposure of DSC parties to potentially unlimited liability. Reassurances have been given but the documentation available to date has not (yet) been made available to provide this confirmation.

### **Resource allocation**

Some Panel Members were concerned that the current Modification 0824 facilitates for the CDSP to involve itself in matters for which it was not originally contemplated, taking its resources away from its core activities.

## **Consideration of the Relevant Objectives**

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<sup>8</sup> SSC 15a <https://www.ofgem.gov.uk/industry-licensing/licences-and-licence-conditions>

Panel Members considered that Relevant Objective d) was the appropriate Relevant Objective for this Modification.

Some Panel Members considered Relevant Objective d) *Securing of effective competition between Shippers and/or Suppliers*, agreeing that implementation would have a positive impact because the Modification reduces the risk to the domestic supply market and therefore acting to protect against further supplier exits.

Some Panel Members considered there was an indirect effect on Relevant Objective d) because the Modification reduces prices to domestic consumers rather than actually furthering competition itself.

Panel Members considered Relevant Objective 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*, was not relevant in relation to this Modification. The Proposer agreed.

## Determinations

Panel Members voted unanimously to recommend Implementation of Modification 0824 (Urgent).

## 13 Recommendations

### Panel Recommendation

Panel Members recommended:

- that Modification 0824 (Urgent) should be Implemented.

## 14 Appended Representations

Representation – Citizens Advice

Representation – E.ON

Representation – Northern Gas Networks

Representation – RECCo (late submission)

Representation – Scotland Gas Networks Ltd & Southern Gas Networks Ltd

Representation – ScottishPower

Representation – Wales & West Utilities

## Representation - Draft Modification Report UNC 0824 (Urgent)

### Appointment of CDSP as the Scheme Administrator for the Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas)

Responses invited by: **12 noon on 21 September 2022**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

|   |   |
|---|---|
| <b>Representative:</b>                          | Sam Hughes  |
| <b>Organisation:</b>                            | Citizens Advice                                     |
| <b>Date of Representation:</b>                  | 21/9/22   |
| <b>Support or oppose implementation?</b>        | Support   |
| <b>Relevant Objective:</b>                      | <p><b>d)</b> Positive</p> <p><b>e)</b> Positive</p> |
| <b>Relevant Charging Methodology Objective:</b> | Not Applicable                                      |

#### Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

Citizens Advice supports this modification. The change will ensure that the necessary role is created to enable the CDSP to act as scheme administrator and support the delivery of the Energy Price Guarantee scheme to domestic customers via gas suppliers from the 1<sup>st</sup> October 2022 as intended.

The Energy Price Guarantee will provide much needed financial support to all domestic energy consumers by providing an effective energy price cap of £2,500 for households with average annual consumption for the next 2 years (with the implication that the support ends in October 2024).

We note that, in regard to fulfilling the scheme administrator role, the modification business rules release the CDSP from obligations and liabilities with regard to normal processes, scrutiny and oversight within the UNC.

We note that in doing so there is effectively a transferral of oversight from the UNC to BEIS who will adopt a monitoring and auditing role for the effective management of the scheme. While we recognise that this solution and the scheme have been developed in direct negotiations and at pace it would be preferable that scheme documents were

available alongside this modification so that parties could better understand this transferral.

The modification is positive for relevant objectives (d) and (e) due to the material impact it has in reducing the financial risks of suppliers and therefore the risk of a smaller domestic supply market.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

Implementation should be as soon as possible.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

We note that no costs have been provided by the proposer for the implementation of this modification and the subsequent role played by the CDSP. By contrast, the equivalent modification ([P446](#)) for electricity in the Balancing and Settlement Code (BSC) provides clear costs for Elexon's administrative and operational costs in undertaking the role of Scheme Administrator (circa <£553,000). We cannot therefore give a view on the costs incurred by this modification and ask that costs are provided in the Final Modification Report.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

We have not reviewed the legal text.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

As noted above, the modification does not include costs which we consider an omission.

**Please provide below any additional analysis or information to support your representation**

NA.

## Representation - Draft Modification Report UNC 0824 (Urgent) Appointment of CDSP as the Scheme Administrator for the Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas)

Responses invited by: **12 noon on 21 September 2022**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

|   |  |
|---|--|
| <b>Representative:</b>                          | Clare Manning                            |
| <b>Organisation:</b>                            | E.ON                                     |
| <b>Date of Representation:</b>                  | 21/09/2022                               |
| <b>Support or oppose implementation?</b>        | Comments                                 |
| <b>Relevant Objective:</b>                      | <b>d)</b> Positive<br><b>e)</b> Positive |
| <b>Relevant Charging Methodology Objective:</b> | Not Applicable                           |

### Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

To support the introduction of the scheme we'd support the recommendation for approval, however we'd refer you to the comments on the drafting and the questions which need answering to support Supplier/Shipper delivery.

### Implementation: What lead-time do you wish to see prior to implementation and why?

We recognise the implementation times are aggressive and will implement as directed.

### Impacts and Costs: What analysis, development and ongoing costs would you face?

There will be operational and technical impacts, due to the urgent timings only a rough order of magnitude impact was able to be completed which indicates a high impact due to financial, system and FTE impacts.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

We support the inclusion of the EPG Scheme Document as an appendix into the UNC (like we have requested in the BSC modification response) to ensure transparency in the requirements and ensure consistent delivery.

We are seeking clarification of the following:

- Clauses 4.3.2 / 1.9.2 / 4.1.8 all advise that committees have no power over the EPG Scheme, although we understand the need to ensure this is clear we are unsure why it is repeated, would it be better to direct all instances to a single clause?
- 1.9.1 / 1.9.5 – we support the establishment of an independent bank account but how is interest on the money paid in being accounted for or will it be established in a way where interest will not be an issue? What is the process to deal with any funds which cannot be passed to Suppliers? And also how will the bank account be closed once the scheme is closed to ensure no funds are remaining?
- 1.9.2 – don't believe the brackets should be numbered 8 / 9 – think this is a formatting issue from the clause above, should it instead be a / b or equivalent
- 1.9.3 – we support this document being a formal appendix
- 1.9.9 – We recognise that the CDSP may want a service line to reflect this activity but there is no charging mechanism to charge this to Suppliers, therefore it would default to Shippers, how are the administration costs expected to be passed to Suppliers in this instance?
- 1.9.10 – Does the CDSP anticipate to utilise MTB costs in the current Budget to fund this activity or will it be recouped at a later date? Can a rough estimate of administration costs be provided?
- 1.9.12 – a clearer approach to scheme closure is provided – how will closing the bank account work? How will it link to any remaining reconciliation? Does the closedown require more thought and instead have a way to freeze new payments whilst the scheme has a controlled closedown?

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No comments

**Please provide below any additional analysis or information to support your representation**

NA

Joint Office

[Enquiries@gasgovernance.co.uk](mailto:Enquiries@gasgovernance.co.uk)

20<sup>th</sup> September 2022

Dear Joint Office,

**UNC 0824: Appointment of CDSP as the Scheme Administrator for the Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas)**

Thank you for the opportunity to provide representation on the above noted Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change.

**NGN supports this Modification Proposal.**

**Reason for support**

We support this Modification as facilitates the Central Data Service Provider's (CDSP) ability to carry out the required system and data permission changes so that they can act as administrator for the governments Energy Price Guarantee for Domestic Gas Consumers Scheme. This Scheme is intended to compensate towards the cost of gas payments made by suppliers, which should reduce the risk of supplier failure, and reduce end domestic consumer bills, however we do have concerns that this is creating a new relationship under the UNC between CDSP and Suppliers (who are not a UNC party). The reduction in the overall cost of gas to suppliers should allow them to offer more competitive rates to end consumers, which furthers Relevant Objectives *d) securing of effective competition: (ii) between relevant suppliers.*

**Implementation:**

As the modification is under Urgent timeline, we believe this modification could be implemented on a date as instructed by the Authority. We note that the Scheme comes into effect on 1<sup>st</sup> October 2022 so would urge that the implementation is in advance of this date to allow the CDSP time to make the necessary system and data permission amendments.

**Impacts and Costs:**

None identified.

**Legal Text:**

The Legal text as provided in V1.0 (a change marked version 2.0 has since been provided to the Joint Office) of the modification contains an error in paragraph 1.9.11, which uses the word 'with' and this should be 'without':

*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.*

**Are there any errors or omissions in this Modification Report that you think should be taken into account?**

**Smell gas?**

Call the National Gas Emergency  
Service on 0800 111 999

**a** 1100 Century Way  
Thorpe Park Business Park  
Colton, Leeds LS15 8TU

**t** 0113 397 5300  
**w** [northerngasnetworks.co.uk](http://northerngasnetworks.co.uk)

**we are  
the network**

The modification as per V1.0 (a change marked version 2.0 has since been provided to the Joint Office) contains an inaccuracy under section 3 'Why Change'. The first sentence at the top of page 2 includes '(via the Shippers)'. This is factually incorrect and should have been removed:

*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 ~~(via the Shippers)~~.*

**Please provide below any additional analysis or information to support your representation**

The CDSP are a not-for-profit company whose primary purpose is to operate the central systems needed in order for UNC transactions between Shippers and Transporters to be carried out in accordance with code and relevant licence conditions. This must be their primary focus and with this in mind we would like to highlight that the setting up of this scheme has already impacted business as usual, due to demands on time and people within the CDSP, and may continue to do so until the appropriate resources are recruited and in place.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

Tracey Saunders (via email)  
**Market Services Manager**  
Mobile: 07580 215 743

**Smell gas?**

Call the National Gas Emergency  
Service on 0800 111 999



1100 Century Way  
Thorpe Park Business Park  
Colton, Leeds LS15 8TU



0113 397 5300



[northerngasnetworks.co.uk](http://northerngasnetworks.co.uk)

**we are  
the network**



**Representation - Draft Modification Report UNC 0824 (Urgent)  
Appointment of CDSP as the Scheme Administrator for the Energy  
Price Guarantee (EPG) for Domestic Gas Consumers (Gas)**

**Responses invited by: 12 noon on 21 September 2022**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

|   |                |
|---|----------------|
| <b>Representative:</b>                          | Jon Dixon      |
| <b>Organisation:</b>                            | RECCo          |
| <b>Date of Representation:</b>                  | 21/09/2022     |
| <b>Support or oppose implementation?</b>        | Support        |
| <b>Relevant Objective:</b>                      | d) Positive    |
| <b>Relevant Charging Methodology Objective:</b> | Not Applicable |

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

We recognise that the current pressures on energy suppliers and consumers is unprecedented. The government intervention in the form of the Energy Price Guarantee (EPG) is therefore welcome, and will provide a degree of relief and certainty to both consumers and market participants, at least in the short term. However, the level of the EPG, will still represent a significant increase in energy bills for millions of households as compared to the current (April to September) Default Tariff Cap. It is likely that many consumers will fall further into arrears, reducing cash flows to suppliers and increasing their exposure to bad debt. This, combined with the ongoing exposure to high wholesale energy prices may increase the risk of further supplier failures, the costs of which are currently passed through to consumers. To the extent that the EPG will provide certainty of revenue to suppliers and reduce the risk of further supplier failure, it

may preserve the conditions for a return to effective competition sooner that might otherwise be the case, and therefore better facilitate relevant objective d).

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

We recognise that this is being done in accordance with the government announced timetable for the introduction of the EPG. However, it is unclear whether the full operation of the scheme will be ready by this time, or indeed need to, given the likely time-lag before EPG payments are made to suppliers. As with the introduction of the Market Stabilisation Charge under the Retail Energy Code, the immediate priority for the EPG may be to codify permission to access the relevant data from the effective date, with further details to be follow once the operational model is clear.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

No comment

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comments

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No comments

**Please provide below any additional analysis or information to support your representation**

We recognise that this solution has been developed at pace in keeping with government policy and the urgency of the cost-of-living crisis, with inherent compromise on certain design and governance principles that would ordinarily apply. For instance, we note that the CDSP does not ordinarily have a relationship with Suppliers, who are not in all cases the same corporate organisation as the relevant Shipper for any given supply point. Under the circumstances, it may be appropriate to give greater weight to the expediency of the solution than other considerations, but we would be happy to work with the CDSP and other industry Parties to ensure the efficacy of the scheme while it is in effect, and are ready to help if any role for the Retail Energy Code is identified.

## Representation - Draft Modification Report UNC 0824 (Urgent)

### Appointment of CDSP as the Scheme Administrator for the Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas)

Responses invited by: **12 noon on 21 September 2022**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

|   |  |
|---|--|
| <b>Representative:</b>                          | Claire Louise Roberts                    |
| <b>Organisation:</b>                            | ScottishPower                            |
| <b>Date of Representation:</b>                  | 21/09/22                                 |
| <b>Support or oppose implementation?</b>        | Support                                  |
| <b>Relevant Objective:</b>                      | <b>d)</b> Positive<br><b>e)</b> Positive |
| <b>Relevant Charging Methodology Objective:</b> | Not Applicable                           |

#### Reason for support: Please summarise (in one paragraph) the key reason(s)

We support the solution and would call for discussions on reconciliation to take place as soon as possible.

#### Implementation: *What lead-time do you wish to see prior to implementation and why?*

Due to the urgency of this modification, we agree this can be implemented on a date instructed by the Authority.

#### Impacts and Costs: *What analysis, development and ongoing costs would you face?*

The modification is only to set up the scheme administrators there are development costs for us, but due to the significantly reduced timeline we have been unable to impact assess this fully for cost and any consequential impacts.

However, we already recognise the reconciliation will have an impact on us and as such strongly recommend that discussions start as soon as possible.

We would like to note, no costings have been provided within in the modification of what this will cost Shippers because of the CDSP taking on the role as scheme administrator.

The equivalent BSC Electricity modification **P446** provides clear costs for Elexon's to complete this role both administrative and operational costs .c 553k. We would like to see a similar breakdown of costing to understand how much it will cost Shippers to implement this change.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comment

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No comment

**Please provide below any additional analysis or information to support your representation**

## Representation - Draft Modification Report UNC 0824 (Urgent)

### Appointment of CDSP as the Scheme Administrator for the Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas)

Responses invited by: **12 noon on 21 September 2022**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

|   |   |
|---|---|
| <b>Representative:</b>                          | Sally Hardman   |
| <b>Organisation:</b>                            | Scotland Gas Networks Ltd & Southern Gas Networks Ltd |
| <b>Date of Representation:</b>                  | 21 <sup>st</sup> September 2022                       |
| <b>Support or oppose implementation?</b>        | Qualified Support                                     |
| <b>Relevant Objective:</b>                      | <b>d)</b> Positive<br><b>e)</b> Positive              |
| <b>Relevant Charging Methodology Objective:</b> | Not Applicable  |

#### Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

SGN supports the principle of the Energy Price Guarantee (EPG) schemes intentions to facilitate the reduction of Domestic Consumer Energy Bills in line with Government direction.

Due to the timescales required in this modification we are not in a position to establish the impacts to the Central Data Service Provider (CDSP) and Data Services Contract (DSC) Parties as a result of the proposed changes.

We note the exclusion of the UNC and DSC Committees from any decision making regarding this process to be carried out by the CDSP and note that this should not set a precedent.

#### Implementation: *What lead-time do you wish to see prior to implementation and why?*

The implementation is understood to be urgent in nature and therefore the proposed timeline is supported.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

SGN's internal systems are not impacted by this proposal however we are unable to establish if this will provide any enduring consequential impacts or costs to the services provided by the CDSP.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

Our legal team are currently reviewing the legal text provided however due to the constricted timeline we are not in a position to provide a detailed response.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

Due to the significantly reduced timeline we have been unable to establish if there are any consequential impacts/costs to this modification.

**Please provide below any additional analysis or information to support your representation**

We wish to highlight that the current UNC arrangements do not facilitate the CDSP to engage in non-UNC activities as set out by this modification. At the point of responding to this consultation there is no legislation in place to enable the Department for Business, Energy and Industrial Strategy (BEIS) to directly instruct the CDSP to undertake this process.

The CDSP (Xoserve) are a not for profit organisation and the DSC Terms and Conditions 12.5a Customer Indemnity specifies that all parties are expected to indemnify the CDSP. In the case of this change we understand that the legal text makes an exception and DSC Parties will not be liable, however as above the timescales have not enabled us to undertake a detailed review.

## Representation - Draft Modification Report UNC 0824 (Urgent)

### Appointment of CDSP as the Scheme Administrator for the Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas)

Responses invited by: **12 noon on 21 September 2022**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

|   |                                 |
|---|---------------------------------|
| <b>Representative:</b>                          | Richard Pomroy                  |
| <b>Organisation:</b>                            | Wales & West Utilities          |
| <b>Date of Representation:</b>                  | 21 <sup>st</sup> September 2022 |
| <b>Support or oppose implementation?</b>        | Comments                        |
| <b>Relevant Objective:</b>                      | d) None<br>e) None              |
| <b>Relevant Charging Methodology Objective:</b> | Not Applicable                  |

#### Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

WWU supports the aims of the Energy Price Guarantee scheme; however, given that the scheme rules are not available we have significant concerns with the modification as first issued; this includes the lack of protection for UNC and DSC parties against risks from the scheme affecting core CDSP activities. As an example the lack of scheme rules means that we cannot validate the level of liability Xoserve is taking on as scheme administrator.

The time allowed for consultation responses is inadequate to fully assess this change.

Consistent with our position on UNC 0666 *Establishment of a CSS Bid Group for CDSP central switching system bid activities*, we do not believe that the role of EPG scheme administrator is a CDSP activity as originally contemplated. See further information for more detail on this point.

We recognise that this change supports UK Government policy, and the Authority may determine that implementation is in the best interests of consumers in line with its statutory duty; however, we struggle to see how the scheme furthers relevant objectives (d) and (e). See further information for more detail on this point.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

There is no direct impact on WWU, but the scheme needs to be functioning by 1<sup>st</sup> October 2022 to meet UK Government deadlines.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

There are impacts on Xoserve business as usual activities as resources are diverted to develop and run the processes to administer the scheme and we expect to experience indirect costs from delays to these activities.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

We have provided comments on the original legal text to NGN. The original legal text gives Xoserve the powers to administer the scheme but provides no protection to UNC parties and DSC parties from risks that may result from the scheme. There are several references to the scheme rules; however, as these are not available, we cannot rely on assumptions or assurances about what those rules may contain. Our key points on the original text were:

1.9.5 We would like the UNC text to be clearer on the status of the bank account, we understand that it is to be a client account and not in the name of Xoserve but this is not clear in the legal text and therefore suggests a risk that the account is in the name of Xoserve and hence DSC parties are exposed to any cash flow risks.

1.9.6 states that the EPG Scheme Administrator is not required to make payments where there are insufficient funds in the account; we think that there should be an absolute prohibition otherwise there seems to be a risk to DSC parties.

1.9.8 seems to give the CDSP the right to amend CDSP services without limit for the purposes of the scheme, we think that some limits on this should be set.

1.9.9 states that other than as provided for in the unseen EPG Scheme Document, all parties waive rights against the CDSP. Without seeing the scheme rules this suggests that UNC and DSC parties bear the risks of the scheme. We understand that the scheme rules propose that Xoserve bears no risk as Scheme Administrator; however, to provide some protection for UNC parties we think that the text should commence with text to the effect of "Where Xoserve bears no liability under the Scheme Document, except for fraud, .....". Wording of this sort would protect UNC parties if the Scheme Document did place some liability on Xoserve.

1.9.10 states that the costs of the scheme are CDSP costs, but does not state who bears them, we assume Shippers but request clarity on this point.

1.9.11 contains a typographical error "with" instead of "without". The intention of this clause is for the UNC text relating to the scheme not to be amendable without the agreement of the Secretary of State. This effectively means that UNC parties cannot amend the text, this is unreasonable as we have no visibility of the scheme rules and hence the risks to which parties may be exposed. The scheme rules will be written to deliver the policy and minimise risk to the UK Government so other parties should have some ability to manage any risks they may face by amending the UNC.



**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

The details of the scheme, how it works and the contractual obligations between BEIS and Xoserve are vague and therefore it is impossible to assess the impact and risks of the scheme.

**Please provide below any additional analysis or information to support your representation**

EPG scheme administrator role not a CDSP activity

We think that the role of EPG Scheme Administrator would have been better fulfilled by REC Co as the Retail Energy Code is the code to which Suppliers are parties. We do recognise that the data required is settlement data and that this is held by Xoserve. If the payments were to be made to Shippers, then it would be appropriate for Xoserve to fulfil the role but as the payments are being made to Suppliers then REC Co is the appropriate body. We observe that the separation of the retail and wholesale roles in gas between, respectively Suppliers and Shippers, compared to the roles being combined in electricity complicates the arrangements in gas.

Relevant objectives

We do not see how relevant objective (d) *Securing of effective competition* is furthered because the effect of the scheme is to reduce prices to domestic consumers rather than promoting competition itself. We also do not see that relevant objective (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* is furthered because the domestic supply security standards in WWU's licence (Standard Special Licence condition A11 1A) apply to the capability of the network to provide the gas demanded by domestic customers rather than the customers' ability to afford to pay for the gas.