

UNC Modification Panel Minutes
Meeting 304 held on Thursday 16 February 2023
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees		
Voting Panel Members:		
Shipper Representatives	Transporter Representatives	Consumer Representatives
D Fittock (Corona Energy) D Morley (OVO Energy) and on behalf of O Chapman (OC) M Bellman (Scottish Power) O Chapman (OC), Centrica R Fairholme (RF), Uniper S Mulinganie (SM), SEFE Energy and on behalf of E Proffitt (EF)	A Travell (AT), BUUK D Mitchell (DMi), SGN G Dosanjh (GD), Cadent J Bates (JB), National Gas Transmission T Saunders (TS), Northern Gas Networks and on behalf of R Pomroy (RP),	S Hughes (SM), Citizens Advice
Non-Voting Panel Members:		
Chairperson	Ofgem Representatives	Independent Supplier Representative
W Goldwag (WG), Chair	J Semple (JS) M Chandy (MC) M Khan (MK)	(None)
Also, in Attendance:		
C Aguirre (CA), Pavilion; D Turpin (DT), Xoserve; E Rogers (ER), Xoserve - CDSP Representative; H Cuin (HCu), Joint Office; H Moss (HM), Cornwall Insight; K Appleby (KA), National Gas Transmission; K Elleman (KE), Joint Office; K Ingham (KI), Centrica; P Garner (PG), Joint Office; R Hailes (RH), Joint Office; R Thulin (RT), RWE.		
Copies of all papers are available at https://www.gasgovernance.co.uk/Panel/160223		

Record of Discussions

304.1. Introductions

The UNC Modification Panel Chair, W Goldwag (WG), welcomed all attendees.

M Bellman (MB) confirmed there had been no change in his circumstances and there continued to be no conflict of interest.

304.2. Note of any alternates attending the meeting

T Saunders on behalf of R Pomroy
S Mulinganie on behalf of E Proffitt
D Morley on behalf of Oorlagh Chapman (from 11:45)

304.3. Apologies for Absence

R Pomroy
E Proffitt
O Chapman (from 11:45)

304.4. Minutes of the last meeting 19 January 2023

Approved.

304.5. Review of Action(s) and Issue(s)

None

304.6. Consider Urgent Modifications

None.

304.7. Consider Variation Requests

None.

304.11 (c) Consider New, Non-Urgent Modification 0837 - Updating all UNC references of “National Grid” to “National Gas Transmission” to reflect the sale of National Grid Gas plc.

It was noted that the first item for discussion would be item 304.11 (c) Proposed Fast Track Modification 0837, ahead of the Final Modification Reports due to implications relating to the Legal Text for item 304.8 (a).

The Proposer, K Appleby (KA) presented the Modification, explaining this is a housekeeping Modification to reflect the sale of National Grid Gas plc and to update all references of National Grid, National Grid NTS, National Grid Gas and National Grid Company plc to National Gas Transmission, within the UNC to align with the licence holder.

Please refer to the Modification published at: <https://www.gasgovernance.co.uk/0837>

KA noted the need for a subsequent Fast Track Modification to amend the Legal Text for two Modifications currently residing with Ofgem awaiting a decision which would, if directed for implementation, re-insert obsolete references to National Grid.

KA noted that revised text had been provided for inflight Modifications:

- 0813 - Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers; and
- 0832S - Introducing additional flexibility to change the NTS large price step for Ascending Clock Auctions at IPs

T Saunders (TS) noted that the UK Link manual and potentially other documents will also need to be checked.

Panel considered the ability to modify the text for the Modifications already submitted to Ofgem for a decision and whether the Consent to Modify process would be a better option to manage the change. It was noted that Ofgem’s preference would be avoid the Consent to Modify route due to the administration involved.

For Modification 0837FT Members determined (with 14 Panel votes available):

- There are Cross-Code impacts, by unanimous vote (14 out of 14).
- The criteria for Fast-Track Self-Governance is met, by unanimous vote (14 out of 14).
- Panel Members voted unanimously to implement Modification 0827FT

304.8. Final Modification Reports

Modification 0813 - Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers

R Hailes (RH) presented the Final Modification Report (FMR). Please refer to the Panel Discussion with the published FMR at: <https://www.gasgovernance.co.uk/0813>

RH summarised that this Modification would extend the availability of 'Virtual Last Resort User' (VLRU) and 'Contingent Procurement of Supplier Demand' (CPSD) provisions (currently only available as a consequence of User Termination) to instances where (in exceptional circumstances) National Gas Transmission issues a User Premises Termination Notice (as a consequence of the application of sanctions on that User by the UK Government). The availability of these two mechanisms in such an event will facilitate the maintenance, ongoing integrity and continued effective operation of the commercial Energy Balancing and Transportation arrangements in the immediate/short term until an alternative User Registration is in place for the relevant Supply Meter Points.

It was clarified that revised Legal Text had been provided for Modification 0813 to account for the National Gas Transmission renaming.

Panel Members noted that there was 1 representation received, from the proposer, which supported implementation.

D Fittock (DF) enquired about the impacts to consumers' gas supply. It was explained that the two mechanisms, dependent on which party exits the supply chain, will invoke a deed of undertaking, when a Government sanction is put in place. The deed of undertaking will then allow the supplier to become responsible for the supply of gas.

S Hughes (SH) enquired what would happen in the event a Government sanction is revoked. E Rogers (ER) explained this had been considered by the Workgroup, however due to the complexities this had not been included in the scope of the Modification, acknowledging if this situation arose an Urgent Modification would be required.

Panel members agreed that extending the availability of the VLRU and CPSD mechanisms to instances where a User is subject to Government sanctions (notwithstanding the fact that the relevant User is not subject to a Termination Notice) is a proportionate and appropriately targeted step to mitigate the increased imbalance risk this scenario presents to National Gas Transmission and other market participants.

Panel Members considered Relevant Objective *a) Efficient and economic operation of the pipe-line system*, agreeing that implementation would have a positive impact because the Modification will introduce a more efficient and economic means of securing delivery of additional supplies of gas to the Total System to meet the demand from the consumers in the event there are Supply Meter Points without a Registered User as a result of the issue of a UPTN and a Supplier that is acting in accordance with a deed of undertaking. This minimises

the risk of system prices not being reflective of supply/demand fundamentals is expected to result in more efficient system usage and hence operation.

Panel Members considered Relevant *c) Efficient discharge of the licensee's obligations*, agreeing that implementation would have a positive impact because the Modification enables other shipper Users to deliver additional gas to the system and/or enable National Gas Transmission purchase NBP gas for this purpose through additional means to the OCM with a forward trading capability. This will better facilitate National Gas Transmission's obligation to perform its functions in an efficient, economic and co-ordinated manner.

Panel Members considered Relevant Objective d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers, agreeing that implementation would have a positive impact by enabling other shipper Users to deliver additional gas to the system and/or enabling National Gas Transmission to transact for additional volumes to meet the demand of Supply Points in a ringfenced function. The proposed changes are expected to reduce the cost of such gas procurement compared with the status quo and result in lower system prices than would otherwise be the case, thereby mitigating the financial challenges being faced by market participants.

For Modification 0813, Members determined (with 14 Panel votes available):

- No new issues were identified during consultation, by unanimous vote (14 out of 14).
- The Modification had no Cross Code impacts, by unanimous vote (14 out of 14).
- Panel Members voted unanimously to recommend implementation Modification 0813 (14 out of 14).

0823 - Amendment to the Allocation of Entry Capacity and Flow Quantities to Qualifying CNCCD Routes

R Hailes (RH) presented the Final Modification Report (FMR). Please refer to the Panel Discussion with the published FMR at: <https://www.gasgovernance.co.uk/0823>

RH summarised that this Modification seeks to amend the apportionment of Entry Capacity and Entry Flow between multiple Conditional NTS Capacity Charge Discount (CNCCD) qualifying routes that share an Entry Point, so that both are based on the minimum of the Exit Capacity and the Exit Flow at the Exit Point of each route.

Panel Members considered the representations made noting that of the 2 representations received 1 supported implementation, and 1 was not in support.

Panel Members agreed that this Modification would amend the effect of the short-haul discount arrangements established under UNC 0728B and that the respective arguments in support had been brought out in the draft modification report and elaborated upon in the two responses.

Panel Members considered whether any new issues had been identified in the submitted responses and concluded that the responses built upon points already made in the published Workgroup discussions and Draft Modification Report and did not introduce any new issues.

Whilst considering the implementation costs and funding,

E Rogers (ER) confirmed that this Modification would be in Service Area 14 – Gemini Services which is 100% National Gas Transmission funded. Going forward ER reported that ROMs will be clearer on where the funding is coming from with the DSC Change Proposals.

Panel Members debated and captured the differing views, within the Final Modification Report for the following elements:

- Implementation may provide a form of flexibility (or clustering) for Users with two or more qualifying short-haul routes which would not be equivalent to the commitment of laying two separate bypass pipelines.
- Multi-route Shippers would get a different discount which is not in keeping with the avoidance of bypass concept. This problem could be solved on a bilateral basis.
- Shippers should get the same discount for the same route. This is not currently the case, and this Modification seeks to address this issue.
- Clustering undermines short-haul and does create differential treatment and could create discrimination.
- Incumbent Shippers that already have a short-haul route from an entry-point may be at a commercial disadvantage when considering taking on another consumer that would also be eligible for short-haul from the same entry point because the Shipper would then be exposed to the effects of the multi-route calculation.
- The Modification should be subject to Authority Direction as previously recommended by the Panel.

Panel Members considered relevant objective *a) Efficient and economic operation of the pipe-line system.*

Some Panel Members agreed that implementation would have a positive impact because it is believed the Modification will correct an oversight in the eligibility for the CNCCD discount and may thus help avoid inefficient bypass of the NTS and thereby act to maximise the potential use of the system.

Some Panel Members disagreed because the proposal does not demonstrate that the risk of bypass is material and thus the claimed benefit may not be realised.

A Panel Member considered that implementation may encourage a less efficient booking of capacity.

Panel Members considered relevant objective *d) Securing of effective competition between Shippers and/or Suppliers.*

Some Panel Members agreed that implementation could have a positive impact because offers to short-haul Consumers (made by Shippers with an existing short-haul route from an entry point) would not need to reflect the potential disadvantage of multi-route short-haul to the shipper depending on their exit capacity bookings relative to flows. This might enhance competition between Shippers that wish to offer services to such eligible short-haul consumers. Panel Members did acknowledge that there is currently only a small number of such customers. Whereas some Panel Members believed this Modification could have a negative impact.

For Modification 0823, Members determined (with 14 Panel votes available):

- No new issues were identified during consultation, by unanimous vote (14 out of 14).
- The Modification had no Cross Code impacts, by unanimous vote (14 out of 14).

- There was no majority vote in favour to recommend implementation of Modification 0823 (6 out of 12), two parties were not present.

304.9. Workgroup Issues/Updates

None

304.10. Workgroup Reports for Consideration

Modification 0816S - Update to AQ Correction Processes

R Hailes (RH) advised that an interim Workgroup Report had been published at: <https://www.gasgovernance.co.uk/0816>, requesting an extension to allow consideration of the Legal Text.

Panel Members considered the Workgroup Report recommendation, that this Modification should be referred back to Workgroup.

For Modification 0816S, Members determined (with 14 Panel votes available):

- The Modification should be referred back to a Workgroup for 3 months with a report to be presented to the 18 May 2023 Panel, by unanimous vote (14 out of 14).

304.11. Consider New, Non-Urgent Modifications

None

Request 0835R - Review of Gas Demand Side Response Arrangements.

J Bates (JB) on behalf of the Proposer presented the Request, explaining that it seeks to review the Gas Demand Side Response (DSR) arrangements post implementation of Modifications 0822 'Reform of Gas Demand Side Arrangements' and 0833 'Enabling DSR Market Offers to be made by Non-System Trading Transactions'.

Please refer to the Request published at: <https://www.gasgovernance.co.uk/0835>.

JB noted the intent to explore 4 key areas with the industry. These were:

- Direct contracting for DSR between National Gas Transmission and consumers.
- A longer lead-time DSR product such as D-5.
- Eligibility criteria and how smaller sites could be aggregated.
- Review of the arrangements implemented by 0822 and 0833.

D Morley (DM) enquired about the inclusion of domestic market supply points and if DSR could be extended to Class 2 sites. It was explained that there would be a need to obtain real time data flows and consideration of how a domestic site turn down could be measured. It was agreed to consider the inclusion of Domestic Customers (Class 1 or Class 2) sites within the eligibility criteria.

R Fairholme (RH) enquired about fundamental changes to the Gas Act and Licenses. M Khan (MK) confirmed that Ofgem are considering the Gas Act and current Licensing, with National Gas Transmission and BEIS

T Saunders (TS) noted that the DNs would need to be communicated with when sites are turning down.

S Mulinganie (SM) wished to note that conversations are happening with End Consumers and the impact on all parties needs to be considered to avoid mixed messages. SM welcomed full stakeholder engagement and having an inclusive approach.

P Garner (PG) encouraged the first Request Workgroup Meeting to establish a workplan with the key dates and the need for regular progress updates.

New Action 0201: Modification Proposer 0835R (Phil Hobbins) to provide an interim report to Panel on the DSR workplan/timelines and a view on the impacts to the Gas Act and Licenses (March 2023).

Noting the preference to implement changes for the new gas year and the constraints this would place on the development timetable, it was suggested that the Workgroup would need 6-12 months to undertake a thorough assessment of all options. However an interim solution based on D-5 could be developed fairly quickly and such Modifications needn't be held up by an extended reporting date.

Panel agreed to a 3-month assessment period with a standalone Workgroup reporting back initially in March and May 2023.

Panel Questions:

- Q1. Please consider timelines and report back to Panel with potential timescales of Modification to aid planning for Workgroup meetings.
- Q2. Inclusive communications must be maintained across the industry to ensure cohesion.
- Q3. Consider interactions with the licence.
- Q4. Consider and comment on the inclusion of domestic customers within future DSR arrangements.

For Request 0835R Members determined (with 14 Panel votes available):

- There are Cross-Code impacts to REC, SEC and IGT UNC, by unanimous vote (14 out of 14).
- The Request should be issued a Workgroup for 3 months with a report to be presented to the 18 May 2023 Panel, by unanimous vote (14 out of 14).

Modification 0836 - Resolution of Missing Messages following Central Switching Service implementation and integration with REC Change R0067.

E Rogers (ER) on behalf of the Proposer, G Dosanjh (GD) presented the Modification, explaining since the introduction of Faster Switching Arrangements in July 2022, there have been incidents whereby systems that interface with the Central Switching Service (CSS) have not received expected messages because they have not been generated, or because of issues in transmission or receipt of the messages. This Modification clarifies treatment and activities necessary when the CSS Registration Effective from Date does not align to that recorded in the UK Link system.

Please refer to the Modification published at: <https://www.gasgovernance.co.uk/0836>

ER explained what the UNC needs to cater for circumstances where the CDSP becomes aware that a Registration has taken place and the mechanisms needed.

The Modification was proposed as Self-Governance with a Workgroup Assessment concluding within 3 months.

Panel Members considered the materiality and consequential impacts on Stakeholders and neutrality and agreed to a 3 month assessment period at the Distribution Workgroup reporting back 18 May 2023.

Panel Questions:

Q1. Consider the materiality for the invoicing arrangements and consequential impacts on stakeholders.

For Modification 0836 Members determined (with 14 Panel votes available):
<ul style="list-style-type: none"> • There are Cross-Code impacts, REC and IGT UNC by unanimous vote (14 out of 14). • The criteria for Self-Governance is met, as this Modification is unlikely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes, by unanimous vote (14 out of 14). • The Modification should be issued a Workgroup for 3 months with a report to be presented to the 18 May 2023 Panel, by unanimous vote (14 out of 14).

304.12. Existing Modifications for Reconsideration

The following update was provided to the estimated decision dates timetable published on 10 February 2023 at: <https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>:

Modification	Estimated Decision Date
0814 (Urgent) - Temporary Access to the Enhanced Pressure Service and Increase to the Maximum NTS Exit Point Offtake Rate of the BBL interconnector	Within 2 weeks
0761 - Arrangements for Interconnectors with additional Storage capability	28 April 2023
0696V - Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NExAs	TBC

304.13. Modification Reporting

Workgroup Extension Requests:

Modification	Current reporting date	Requested Panel reporting date	Reason for request to change Panel reporting date/Comments
0816S - Update to AQ Correction Processes	February 2023	May 2023	3 month extension
0819 - Establishing/Amending a Gas Vacant Site Process	March 2023	May 2023	2 month extension

0825 - Removal of the remaining Retrospective Asset, Address and Supply Point (RAASP) elements of the Retrospective Adjustment arrangements put in place under Modification 0434	April 2023	June 2023	2 month extension
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Legal Text Requests:

None

304.14. Any Other Business

Pre-Modification - Introduction of cost efficiency and transparency requirements for the CDSP Budget

K Ingham (KI) wished to advise Panel of the intention to raise a Modification to amend the UNC, IGT UNC and DSC documentation to better meet the obligations for the annual CDSP budget development. KI explained that the changes are seeking greater transparency around the budget setting process, to enable scrutiny by CDSP customers and for the budget governance to be more robust.

Panel considered whether a Modification or Request route would be more suitable.

Dan Fittock (DF) enquired about the commercial sensitivity of information which feeds into the budget and if this would need to be considered.

An indicative timeline was presented to Panel to illustrate the existing budget planning cycle and how the assessment could align to allow changes for the next budget. It was anticipated Authority decision would be required due to changes to the charging methodology.

WG encouraged the Workgroup to consider any quick fixes to allow changes to take place in time for the next budget cycle, with amendments to the DSC Contract and Change Management change processes for the start of the new gas year 01 October 2023.

Implementation of Modification 0701 – Aligning Capacity booking under the UNC and arrangements set out in relevant NExAs

T Saunders (TS) wished to make Panel aware that the implementation of Modification 0701, which is due to be implemented in June 2023 in line with the CDSP’s June Release, may put some Shippers in breach of code until the opening of the capacity booking reduction window. Therefore, the CDSP are assessing the option to delay the release until November 2023.

TS wished to note there is a potential need for an Urgent Modification if the costs of moving the implementation date become significant, to un-pick elements of the Modification.

Meeting Feedback

Sam Hughes (SH) wished to provide positive feedback on today’s hybrid Panel meeting with a mix of delegates joining online and in person.

WG thanked SH for this feedback and welcomed feedback from all Panel Members.

304.15. Date of Next Meeting(s):

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Time / Date	New Mod Deadline	Venue
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10:00 Thursday 16 March 2023	5pm Friday 03 March 2023	Teleconference / Microsoft Teams
10:00 Thursday 20 April 2023	5pm Thursday 06 April 2023	Teleconference / Microsoft Teams
10:00 Thursday 18 May 2023	5pm Friday 05 May 2023	Teleconference / Microsoft Teams & In Person
10:00 Thursday 15 June 2023	5pm Friday 02 June 2023	Teleconference / Microsoft Teams
10:00 Thursday 20 July 2023	5pm Friday 07 July 2023	Teleconference / Microsoft Teams
10:00 Thursday 17 August 2023	5pm Friday 04 August 2023	Teleconference / Microsoft Teams & In Person
10:00 Thursday 21 September 2023	5pm Friday 08 September 2023	Teleconference / Microsoft Teams
10:00 Thursday 19 October 2023	5pm Friday 6 October 2023	Teleconference / Microsoft Teams
10:00 Thursday 16 November 2023	5pm Friday 03 November 2023	Teleconference / Microsoft Teams & In Person
10:00 Thursday 14 December 2023	5pm Friday 08 December 2023	Teleconference / Microsoft Teams

Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Owner	Reporting Month	Status Update
0201	16/02/23	304.11 (a)	Modification Proposer 0835R (Phil Hobbins) to provide an interim report to Panel on the DSR workplan/timelines and a view on the impacts to the Gas Act and Licenses (March 2023).	Proposer (PH)	March 2023	Pending