

UNC Panel Chair and Joint Office  
Chief Exec  
Joint Office of Gas Transporters  
UNC Panel, Gas Transporters,  
Gas Shippers and other  
interested parties

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Date: 20 November 2014

Dear Mr Jenkins,

**Direction to provide further evidence for UNC445 'Amendment to the arrangements for Daily Metered Supply Point Capacity'**

Thank you for submitting a revised Final Modification Report (FMR) on 16 October 2014 for the Uniform Network Code (UNC) modification proposal 445 'Amendment to the arrangements for Daily Metered Supply Point Capacity' (UNC445) with amended legal text. We have now been able to consider the modification.

We have concluded that we cannot properly decide upon UNC445 based on the FMR submitted to us. We consider that there is insufficient analysis and evidence in the report to support the proposal and request that the FMR be revised and resubmitted.

The two specific areas we require further clarification on are detailed below.

- UNC445 proposes a solution to an issue that has been addressed in a number of previous modifications (UNC244, 244A and 244B, UNC275, UNC405, UNC478). We rejected UNC244 in 2009 and subsequently approved time limited modifications to provide urgent flexibility in the economic downturn. However, in order to approve an enduring solution, the FMR should clearly explain how the situation has materially changed from the original proposal (UNC244), which we rejected.
- In our rejection of UNC244, and in subsequent approvals of temporary arrangements, we urged Gas Distribution Networks (GDNs) to provide much more analysis on the likely impact the changes will have on the customers affected as well as on other customers' charges. We also asked GDNs to consider whether the arrangements are sufficiently robust to avoid any potential gaming.

In our approval of UNC275 in 2009, we noted that -

- UNC275 provided a temporary arrangement. Should a permanent change to the UNC be proposed we might take a different approach requiring a more comprehensive review and evidence than that provided in support of UNC275.
- We had not been provided with information on how many Daily Metered customers would take up the offer of more flexible arrangements or how many of them might rely on these arrangements as an alternative to vacating their sites altogether. We stated that this was something the GDNs would need to consider if they wish to propose an enduring modification along these lines.
- We expected the industry to undertake more comprehensive analysis on the likely impact of any changes not only on those customers affected, but also on other customers' charges. We would expect that the analysis submitted with any further

modification proposals would demonstrate that any enduring changes would not lead to inappropriate increase in the overall share of costs that are recovered from the rest of the GDNs' customer base.

- We encouraged the industry as part of its development of an enduring solution to reconsider whether the current capacity commitments placed on users are adequate in light of the UNC objectives. At the same time, we encouraged the industry to examine whether there were any benefits to aligning the reservation of network capacity by customers with GDNs' reservation of network capacity on the NTS.

In our approval of UNC405 in 2011, we said that it was disappointing that this extension of the interim solution had been necessary and that an enduring solution had yet to come.

In our approval of UNC478 in 2014 we noted that an appropriate enduring solution was the best way to address the issue identified by this and preceding modifications.

In order to decide on UNC445 and in particular to consider the proposal against our principal objective to protect the interests of consumers, we require further analysis and evidence to address the points raised above and demonstrate the impact on consumers, and an explanation of what has changed materially since our rejection in 2009.

After addressing these issues, and revising the FMR accordingly, the UNC Panel should re-submit UNC445 to us for decision as soon as practicable. If you would like to discuss this letter please contact Olivia Powis on 020 7901 3879 or email [Olivia.powis@ofgem.gov.uk](mailto:Olivia.powis@ofgem.gov.uk).

Yours sincerely

Andrew Burgess

**Associate Partner, Transmission and Distribution Policy**

Signed on behalf of the Authority and authorised for that purpose