









UNC Final Modification Report	At what stage is this document in the process?
<h1>UNC 0840 (Urgent):</h1> <h2>Equalisation of prepayment and non-prepayment AUG factors</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">01</span> Modification         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">02</span> Workgroup Report         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">03</span> Draft Modification Report         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b></p> <p>This Urgent Modification proposes to remove the differential treatment of prepayment meters and non-prepayment meters in the allocation of Unidentified Gas.</p> <p>This proposal is to amend the process prior to the finalisation of the AUG Table for Gas Year 2023/2024</p>	
<p><b>Next Steps:</b></p> <p>The Panel does not recommend implementation.</p>	
<p><b>Impacted Parties:</b></p> <p>High: Suppliers, Shippers, Consumers</p> <p>Low: CDSP</p> <p>None: Transporters</p>	

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Timetable		
<b>Modification timetable:</b>		
Date Modification Raised	06 March 2023	
Ofgem Decision on Urgency	07 March 2023	
Draft Modification Report issued for consultation	07 March 2023	
Consultation Close-out for representations	13 March 2023	
Final Modification Report available for Panel	14 March 2023	
Modification Panel decision	16 March 2023	
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## 1 Summary

### What

The current process for deriving Allocation of Unidentified Gas (AUG) weighting factors (referred to in the Uniform Network Code – Framework for the Appointment of an Allocation of Unidentified Gas Expert as “UGS Weighting Factors”) permits different factors to be assigned to prepayment and non-prepayment End User Categories (EUCs). This Modification seeks to mandate that there should be no differentiation in AUG weighting factors for prepayment and non-prepayment EUCs in the same sector and product class.

### Why

In an efficient market the costs faced by Consumers should reflect the costs they impose on the system. Shippers and suppliers will pass through the costs of unidentified gas based on expected AUG weighting factors. However, having different factors for prepayment and non-prepayment EUCs in the same sector and product class creates an unnecessary level of risk and unpredictability. This damages effective competition and ultimately leads to higher costs for Consumers.

This Modification will significantly reduce existing consumer detriment for domestic prepayment Consumers. Since the AUG Table was updated to permit different weightings between prepayment and non-prepayment, the weighting factors for domestic prepayment Consumers have been considerably higher than domestic non-prepayment Consumers – from 3 times higher in 2021/22 to 4 times higher in the current year factors and almost 6 times higher in the latest proposed draft factors for gas year 2023/24. We consider that the differential in the weighting factors between domestic Consumers creates an increasing penalty on Consumers with a prepayment meter.

### How

It is proposed to remove the differentiation in AUG weighting factors for prepayment and non-prepayment EUCs in the same sector and product class. This would lead to the creation of:

- A single weighting factor for EUC1 Domestic (EUC1ND & EUC1PD) for each product class
- A single weighting factor for EUC2 Domestic (EUC2ND & EUC2PD) for each product class
- A single weighting factor for EUC1 Non-Domestic (EUC1NI & EUC1PI) for each product class
- A single weighting factor for EUC2 Non-Domestic (EUC2NI & EUC2PI) for each product class

For the avoidance of doubt, the change will not lead to any redistribution of UIG across sectors within the AUG Statement. However, it is acknowledged that the resulting factors may lead to a minimal increase or decrease in actual UIG allocation to Shippers depending on relative EUC sizes at an LDZ level and observed levels of UIG.

## 2 Governance

### Justification for Urgency

Ofgem’s guidance for the circumstances under which a Modification Proposal would be considered for Urgent procedures, specifies that it should be linked to an imminent or current issue that if not urgently addressed may cause a significant commercial impact on parties, Consumers or other stakeholders. It is proposed that this Modification follows an Urgent timetable as it relates to an imminent and current issue, that if not urgently addressed will have a significant commercial impact on Consumers.

There are significant concerns about the number of Consumers who are struggling with their energy bills amid the ongoing cost-of-living crisis. For some Consumers prepayment meters are an option that can help them to budget, and help mitigate the risk of going into, or exacerbating existing, debt. The current and proposed differential in the weighting factors between domestic Consumers creates an increasing penalty on Consumers with a prepayment meter compared to those using a non-prepayment meter.

Based on the proposed weighting factors in the latest draft AUG Statement, this issue will become even more pronounced with domestic prepayment Consumers being allocated almost 6 times more UIG than domestic non-prepayment Consumers.

Granting of Urgency will allow the revised equalised factors proposed by this Modification to be discussed in the UNC AUG Sub-Committee meeting and the new factors to be captured in the publication of the final AUG Statement – currently scheduled for 31<sup>st</sup> March 2023 (if the Modification is approved by the Authority).

The AUG Table will then follow its usual "approval" process at the April UNCC meeting, concluding the AUG process within its usual annual cycle. UNC TPD Section E by Paragraph 9.4.4 makes clear that once the AUG Statement is approved, no further revisions are permitted.

Therefore, this Modification is recommended to follow Urgent Procedures as it is likely to have a material impact on domestic Consumers and if not approved ahead of publication of the AUG Statement, the equalised factors will not be able to take affect until the 2024/25 Gas Year.

Related Modification 0838 was withdrawn due to incompatibilities between the solution text and the legal text. This Modification clearly sets out the process to equalise the allocation factors for the listed pairs of Categories of System Exit Points after the existing process has been completed.

### Requested Next Steps

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

This is a targeted Modification proposal that is seeking to remove an existing and material consumer detriment and which does not affect the allocation of UIG across market sectors. Therefore, the proposal should be issued directly to consultation without workgroup assessment.

## 3 Why Change?

In an efficient market the costs faced by Consumers should reflect the costs they impose on the system. Shippers and suppliers will pass through the costs of UIG based on expected AUG weighting factors. However, having different factors for prepayment and non-prepayment EUCs in the same sector and product class creates an unnecessary level of risk and unpredictability. This damages effective competition and will ultimately lead to higher costs for Consumers.

We also believe the change will significantly reduce existing consumer detriment for domestic prepayment Consumers. Since the AUG Table was updated to permit different weightings between prepayment and non-prepayment, the weighting factors for domestic prepayment Consumers have been considerably higher than domestic non-prepayment Consumers – from 3 times higher in 2021/22 to 4 times higher in the current year factors and almost 6 times higher in the latest proposed draft factors for gas year 2023/24.

We do not believe it is fair and equitable to allocate almost 6 times more UIG to small domestic prepayment Consumers compared to non-prepayment Consumers. We do not believe that applying the "Polluter Pays" approach at a meter type level is fair because in the case of gas theft, by definition, the polluter is *not* paying:

the approach places the cost of theft increasingly on those who are *not* stealing gas simply because theft detection rates have been higher for Consumers with similar meter types.

We previously expressed concern in our response to UNC 0711, which updated the AUG Table to allow separate allocations to prepayment and non-prepayment Consumers:

*“It is expected that the change will shift UIG costs further towards residential and particularly pre-payment customers. The consideration of this impact has been explicitly removed from the remit of the AUG Expert, however it is relevant to the consideration of the UNC Panel and Ofgem.”*

Since the AUG Table was updated, the weighting factors for domestic prepayment Consumers have been considerably higher than domestic non-prepayment Consumers and we do not believe that this impact has been subject to an appropriate governance process. Ultimately it should be for the Authority to decide whether this differential treatment of prepayment Consumers is justified and in line with policy goals.

This Modification proposal would equalise the weighting factors for prepayment and non-prepayment EUCs in the same sector and product class. This would ensure that any future proposal to differentiate between prepayment and non-prepayment EUCs would need to go through an appropriate governance procedure.

## 4 Code Specific Matters

### Reference Documents

Code Subsidiary document - Framework for the Appointment of an Allocation of Unidentified Gas Expert.

### Knowledge/Skills

None

## 5 Solution

Update the UNC TPD Section E Paragraph 9.4 to mandate that the AUG allocation factors for prepayment and non-prepayment EUCs in the same sector and product class are equal.

This will be achieved by implementing an additional process to equalise the allocation factors for the listed pairs of Categories of System Exit Points after the existing process has been completed:

- EUC1ND & EUC1PD
- EUC2ND & EUC2PD
- EUC1NI & EUC1PI
- EUC2NI & EUC2PI

The details of how this is done will be decided by the AUGE.

For the avoidance of doubt, the change will not lead to any redistribution of UIG across sectors within the AUG Statement. However, it is acknowledged that the resulting factors may lead to a minimal increase or decrease in actual UIG allocation to Shippers depending on relative EUC sizes at an LDZ level and observed levels of UIG.

## 6 Impacts & Other Considerations

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

No.

#### Consumer Impacts

The Draft AUG Statement for 2023/24 estimates that the UIG percentage allocated to domestic prepayment meters (EUC1PD) will be 2.9% and 9.5% for product class 3 & 4 respectively. For non-prepayment Consumers (EUC1ND) these values are 1.0% and 1.7% respectively. Under this proposal it is estimated that all EUC1 Domestic Consumers will receive UIG allocations of 1.1% for product class 3 and 2.1% for product class 4. No impacts are anticipated to the AUG weighting factors of any other customer groups as the current factors and latest proposed draft factors are aligned between prepayment and non-prepayment (where there are Consumers currently in those matrix positions).

Below is a visualisation of the impacts of this Mod on estimated UIG as a percentage of throughput across the Categories of System Exit Points provided by the AUGE. For comparison is the same output from the Draft AUG Statement (p108). Although these outputs may change in the final version of AUG Statement they show the intention to equalise prepayment and non-prepayment factors without impacting other Categories of System Exit Points.

**2023-2024 UIG as % of throughput**  
**Draft AUG Statement**

	CLASS				
	2023-2024	1	2	3	4
EUC BAND	1ND	0.0%	0.0%	1.0%	1.7%
	1PD	0.0%	0.0%	2.9%	9.5%
	1NI	0.1%	17.5%	3.2%	12.7%
	1PI	0.0%	0.0%	3.2%	12.7%
	2ND	0.0%	0.0%	1.3%	2.5%
	2PD	0.0%	0.0%	1.3%	2.5%
	2NI	0.0%	5.9%	1.7%	5.9%
	2PI	0.0%	0.0%	1.7%	5.9%
	3	0.1%	1.1%	0.9%	1.1%
	4	0.1%	1.1%	1.1%	1.2%
	5	0.1%	1.3%	1.1%	1.2%
	6	0.1%	1.4%	1.1%	1.3%
	7	0.1%	1.4%	1.1%	1.4%
	8	0.1%	1.2%	1.1%	1.2%
	9	0.1%	0.7%	0.5%	0.6%

**2023-2024 UIG as % of throughput**  
**AUGE analysis after prepayment equalisation**

	CLASS				
		1	2	3	4
EUC BAND	1ND	0.0%	0.0%	1.1%	2.1%
	1PD	0.0%	0.0%	1.1%	2.1%
	1NI	0.1%	17.5%	3.2%	12.7%
	1PI	0.0%	0.0%	3.2%	12.7%
	2ND	0.0%	0.0%	1.3%	2.5%
	2PD	0.0%	0.0%	1.3%	2.5%
	2NI	0.0%	5.9%	1.7%	5.9%
	2PI	0.0%	0.0%	1.7%	5.9%
	3	0.1%	1.1%	0.9%	1.1%
	4	0.1%	1.1%	1.1%	1.2%
	5	0.1%	1.3%	1.1%	1.2%
	6	0.1%	1.4%	1.1%	1.3%
	7	0.1%	1.4%	1.1%	1.4%
	8	0.1%	1.2%	1.1%	1.2%
	9	0.1%	0.7%	0.5%	0.6%

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

Since the AUG Table was updated to permit different weightings between prepayment and non-prepayment, the weighting factors for domestic prepayment Consumers have been considerably higher than domestic non-prepayment Consumers – from 3 times higher in 2021/22 to 4 times higher in the current year factors and almost 6 times higher in the latest proposed draft factors for gas year 2023/24.

Under the proposed approach in this Modification there will be no differentiation in AUG weighting factors for prepayment and non-prepayment EUCs in the same sector and product class. This will result in a small increase in UIG allocation for domestic non-prepayment Consumers, and a material decrease in the UIG allocation for domestic prepayment Consumers.

<b>Impact of the change on Consumer Benefit Areas:</b>	
Area	Identified impact
Improved safety and reliability	None
<p><b>Lower bills than would otherwise be the case</b></p> <p>UIG allocations will be reduced for domestic prepayment Consumers. This will reduce the cost to serve these Consumers and will lead to lower bills. As the allocation of UIG is passed through in the wholesale allowance within Ofgem’s prepayment price cap there will be a substantial direct reduction in customer bills for those Consumers covered by it.</p> <p>UIG allocations will be increased for domestic non-prepayment Consumers. This will increase the cost to serve these Consumers and will lead to higher bills. As the allocation of UIG is passed through in the wholesale allowance within Ofgem’s price cap there will be a small direct increase in customer bills for those Consumers covered by it.</p> <p>No impacts anticipated to any other customer groups as the current factors and latest proposed draft factors are aligned between prepayment and non-prepayment (where there are Consumers currently in those matrix positions).</p> <p>Removing the differential between prepayment and non-prepayment significantly reduces the uncertainty around UIG allocations each year. This will facilitate more effective competition between suppliers and could lead to lower overall bills.</p>	Positive & Negative
Reduced environmental damage	None
Improved quality of service	None
<p><b>Benefits for society as a whole</b></p> <p>For some Consumers prepayment meters are an option that can help them to budget, and help mitigate the risk of going into, or exacerbating existing, debt. The differential in the weighting factors between domestic Consumers creates an increasing penalty on Consumers with a prepayment meter.</p>	Positive

**Cross-Code Impacts**

None.

**EU Code Impacts**

None.



## Central Systems Impacts

There are no anticipated system impacts as a result of this Modification proposal. Providing that the CDSP have the approved weighting factors to load in the system by the 1<sup>st</sup> September 2023, this will go live as of 1<sup>st</sup> October 2023.

From a contractual perspective, the CDSP will need to ensure the AUGÉ can deliver the change proposed within the Modification this year and on an enduring basis. They will also need to ensure obligated milestones, are met and specifically for this year, obtain approval of the proposed AUG Statement and factors in April 2023 UNCC.

Based on early discussions with the AUGÉ, the proposed changes are believed to be relatively simple to deliver but the CDSP will need to ensure this is captured as a requirement on an enduring basis.

## 7 Relevant Objectives

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

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (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.	None
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

**Relevant objective (d)** is better facilitated. In an efficient market the costs faced by Consumers should reflect the costs they impose on the system. Shippers and suppliers will pass through the costs of unidentified gas based on expected AUG weighting factors. However, having different factors for prepayment and non-prepayment EUCs in the same sector and product class creates an unnecessary level of risk and unpredictability. This damages effective competition and will ultimately lead to higher costs for Consumers.



## 8 Implementation

It is proposed that this Modification follows an Urgent timetable approved by the Authority, as it relates to an imminent and current issue that if not urgently addressed will have a significant commercial impact on some Consumers.

Implementation should be as soon as reasonably practicable following Authority direction to implement the Modification.

## 9 Legal Text

### Text

Legal Text has been provided by Wales & West Utilities and is published alongside this report.

## 10 Consultation

Representations were invited from interested parties on 07 March 2023. All representations are encompassed within the Appended Representations section.

The following table provides a high-level summary of the representations. Of the 7 representations received 3 supported implementation, and 4 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives
Centrica	Support	d) positive
EDF Energy	Support	d) none
E.ON Group	Oppose	d) negative
ICoSS	Oppose	d) negative
Opus Energy	Oppose	c) negative d) negative f) negative
Scottish Power	Support	d) positive
SEFE Energy	Oppose	d) negative

Please note that late submitted representations may 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.

## 11 Panel Discussions

### Discussion

The Panel Chair summarised that Modification 0840 (Urgent) proposes to remove the differential treatment of prepayment meters and non-prepayment meters (in the same sector and product class) in the allocation of Unidentified Gas.

Panel Members considered the representations submitted during the Consultation noting that, of the 7 representations received, 3 supported implementation, and 4 were not in support.

Panel Members acknowledged that this Modification would mandate that there should be no differentiation in AUG weighting factors for prepayment and non-prepayment EUCs in the same sector and product class and recognised the intent of the Modification in seeking to protect vulnerable customers.

It was noted that the change would not lead to any redistribution of UIG across sectors within the AUG Statement. However, it may lead to an increase or decrease in actual UIG allocation to Shippers depending on relative EUC sizes at an LDZ level and observed levels of UIG.

A Panel Member thought that a review of the whole issue of whether credit and prepayment customers should be treated as one group or separately would be appropriate, rather than addressing the issue piecemeal through individual, especially urgent, Modifications.

Some Panel Members noted that part of the role of the AUGE is to identify the differential. This is highlighted by the following extract from the minutes of the [AUG Sub-Committee meeting 17 February 2023](#):

*“...the reason behind the differential [between the Weighting Factors for prepayment and non-prepayment domestic customers] is related to the proportion of theft attribution to prepayment meters in the detected theft data. More recorded theft is identified against prepayment sites...”*

*DSP [AUGE representative] noted that it is within the Terms of Reference to work with the question, but to eliminate the bias and the differential is not the role of the AUGE. It is AUGE's role to identify process and work with CDSP on data presented by Shippers.”*

A Panel Member asked whether the SEC and REC are doing similar activities? The Cross Code Steering Group (CCSG) meets on 17 March 2023 and this topic is on the agenda for discussion at that meeting. The Joint Office will liaise with the Code Administrators/Managers of the other codes in this matter.

Some Panel Members noted that the Modification only adjusts one element of the difference between prepayment and non-prepayment – there are a number of areas that remain differentiated. For example, the demand profile remains different. Perhaps a review would be more appropriate than this Modification? The Panel noted the Government intervention in the surcharge for pre-payment meters, which may indicate a wider view of the requirements in this area is more appropriate than this Modification.

Some Panel Members did not believe there is any elucidation of why the AUGE's allocation is wrong and if there is an allegation it is incorrect, this should have been addressed through the AUG Sub-Committee.

A Panel Member noted that there is a process for accommodating proposals to improve or change the work done by the AUGE and suggested that this change should have been brought through that process<sup>1</sup>.

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<sup>1</sup> The AUG process offers the opportunity for engagement through the meetings of the AUG Sub-Committee: <https://www.gasgovernance.co.uk/aug>

The Proposer noted that there has been a recent report in January 2023 relating to the Theft Estimation Methodology in REC<sup>2</sup>, which noted:

*“There is a bias in investigations towards pre-payment meters and that the conversion rate to confirmed thefts is higher than with other meter types”.*

A Panel Member noted that this REC analysis may counter the assertion of cross subsidy.

The Proposer noted that the factors themselves are built into the price cap, so implementation of this Modification will have a direct impact on the price cap for credit and pre-payment customers.

Some Panel Members including the representative representing domestic consumers wished to highlight the very challenging financial position that customers on prepayment meters are facing. These customers are disproportionately vulnerable, on lower incomes and in fuel poverty yet pay a higher cost for their energy. These Panel Members highlighted the statement yesterday by the Government<sup>3</sup> that it intends to end the premium that prepayment meter customers pay and that this Modification appears to deliver the intent of this policy as it will directly feed through into inputs in the energy price cap. They also noted that the Modification still gives transparency to the necessary data (produced by the AUGÉ) to enable the necessary parties to fulfill their obligations to tackle unidentified gas.

The Panel Member representing non-domestic consumers noted that domestic consumers are not the only parties suffering but the domestic sector has had more support from Government.

A Panel Member believed that this Modification is effectively introducing a cross-subsidy of the domestic prepayment sector by the domestic credit meter sector.

The Proposer of Modification 0711 (also a Panel Member) noted that Modification 0711 introduced the differentiated EUC codes for the AUGÉ to utilise if they, as the expert, felt it necessary.

A Panel Member contested that introduction of the additional EUC bands into the AUG table (through Modification 0711) did not give enough consideration to the impact of this widening of the allocation options on consumers, particularly those on prepayment meters.

A Panel Member noted that Modification 0711 was approved by Ofgem on the basis of improving competition, furthering Relevant Objective d); is there now any evidence that there has in actual fact been a furthering of competition? Further, is there evidence that this effect outweighs the disbenefit to prepayment customers?

The Proposer confirmed that this Modification 0840 is trying to redress customer detriment and remove uncertainty.

A Panel Member confirmed that this Modification 0840 changes the allocation of UIG but the AUG process should still identify where the UIG was believed to stem from. The data is still available for the purpose of tackling UIG. As customers can move between prepayment and non-prepayment meters more easily than between EUC bands (they move house, can ask for prepayment meters to be installed etc.), especially with smart meters, we cannot be sure that the polluter is definitely paying. In fact, non-prepayment meter theft could result in the transfer of a domestic consumer to a prepayment meter. This highlights the practical need not to differentiate

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<sup>2</sup> Theft Estimation Methodology report for RECCo January 2023 <https://www.retailenergycode.co.uk/fs/wp-content/uploads/2023/01/TEM-report.pdf>

<sup>3</sup> The Chancellor’s budget announcement 15 March 2023: “...Over four million households on prepayment meters. They are often the poorest households, but they currently pay more than comparable customers on direct debit. Ofgem has already agreed with suppliers a temporary suspension to forced installations of prepayment meters. But today I go further, and confirm we will bring their charges in line with comparable direct debit charges. The energy premium paid by our poorest households is coming to an end.”  
<https://www.gov.uk/government/speeches/spring-budget-2023-speech>

between non-prepayment meter and prepayment meter when deploying the polluter pays principle, which the AUGÉ seeks to do.

A Panel Member believed it is unclear what the volume of meters changing in this way is. This case would not be enough to justify this Modification.

A Panel Member confirmed the AUG methodology is not changed by this Modification and there still remains transparency in the AUG process.

A Panel Member disagreed.

A Panel Member contested that if these EUCs are not treated differently, the UIG will be socialised across all consumers in that sector. Therefore, there is no net reduction of UIG and it is simply a movement of allocation of cost. Over the long term, it does not target prepayment customers and therefore there is no deterrent effect against theft nor an incentive to reduce theft, so there could be an argument that the cost will go up in the long term. In addition, this overrides the AUGÉ's role.

A Panel Member believed that where this Modification does not impact the bottom line net amount of UIG, the reallocation of UIG between two customer subsets (prepayment and credit) means that this Modification is essentially overwriting the AUGÉ's role, so the question remains: what is the point in the AUGÉ? Further, this Modification clearly needs some analysis and its principle assessed, so it should not have been granted Urgent status. The impacts on non-Prepayment customers need to be understood and assessed as to whether there would be any due or undue discrimination; this is not currently clear.

## Consideration of the Relevant Objectives

Panel Members agreed that the Transporters licence appears to be unaffected by this Modification therefore consideration of the impact on Relevant Objective c) *Efficient discharge of the licensee's obligations*, is not appropriate for this Modification.

Panel Members considered Relevant Objective d) *Securing of effective competition between Shippers and/or Suppliers*:

Some Panel Members agreed that implementation of this Modification would be positive for Relevant Objective d) because in an efficient market, the costs faced by Consumers should reflect the costs they impose on the system. Shippers and suppliers will pass through the costs of unidentified gas based on expected AUG weighting factors. However, having different factors for prepayment and non-prepayment EUCs in the same sector and product class creates an unnecessary level of risk and unpredictability. This damages effective competition and will ultimately lead to higher costs for Consumers.

Some Panel Members agreed that implementation of this Modification would be negative for Relevant Objective d) because the current arrangements better facilitate competition by ensuring that, in line with the current arrangements applicable to all other customer segments, costs are targeted based upon an independent assessment by the AUGÉ.

Panel Members considered Relevant Objective f) *Promotion of efficiency in the implementation and administration of the Code*:

Some Panel Members agreed that implementation of this Modification would be positive for Relevant Objective f) because the Modification is bringing in an extra step and by equalising the numbers this is a more efficient process.

Some Panel Members agreed that implementation of this Modification would be negative for Relevant Objective f) because the AUGÉ assesses and comes up with their weightings but the Proposer is suggesting an additional final step using a different outcome in the final table.

## Determinations

Panel Members voted with 5 votes in favour (out of a possible 14), and therefore did not agree to recommend implementation of Modification 0840 (Urgent).

## 12 Recommendations

### Panel Recommendation

Panel Members recommended that Modification 0840 should not be implemented.

## 13 Appended Representations

Representation - Centrica

Representation - EDF Energy

Representation - E.ON Group

Representation - ICoSS

Representation - Opus Energy

Representation - Scottish Power

Representation - SEFE Energy