









UNC Draft Modification Report	At what stage is this document in the process?
<h1 data-bbox="134 322 727 414">UNC 0865S:</h1> <h2 data-bbox="134 450 1110 663">Permitting DNOs to charge Shippers negative Supplier of Last Resort (SoLR) unit rates</h2>	<div data-bbox="1150 315 1417 636"> <div data-bbox="1150 315 1417 389">01 Modification</div> <div data-bbox="1150 398 1417 472">02 Workgroup Report</div> <div data-bbox="1150 481 1417 555">03 Draft Modification Report</div> <div data-bbox="1150 564 1417 636">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>UNC TPD (Transportation Principal Document) Section Y part B only permits Distribution Network Operators (DNOs) to charge positive unit rates to Shippers, this modification permits negative rates.</p>	
<p><b>Next Steps:</b></p> <p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this Self-Governance Modification.</p> <p>The close-out date for responses is <b>09 January 2024</b>, which should be sent to <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>. A response template is available at <a href="http://www.gasgovernance.co.uk/0865">http://www.gasgovernance.co.uk/0865</a>.</p> <p>The Panel will consider the responses and agree whether or not this Self-Governance Modification should be made.</p>	
<p><b>Impacted Parties:</b></p> <p>High: Shippers on DNO networks (if Shipper internal systems need amending)</p> <p>Low: DNOs, CDSP, Consumers</p> <p>None: NTS</p>	
<p><b>Impacted Codes:</b></p> <p>None</p>	

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<b>Modification timetable:</b>		
Pre-Modification Discussed	23 November 2023	
Date Modification Raised	05 December 2023	<a href="mailto:Richard.Pomroy@WUutilities.co.uk">Richard.Pomroy@WUutilities.co.uk</a>
New Modification considered by Panel	14 December 2023	<a href="http://WUutilities.co.uk">WUutilities.co.uk</a>
Draft Modification Report issued for consultation	15 December 2023	 07832 973337
Consultation Close-out for representations	09 January 2024	
Final Modification Report available for Panel (at short notice)	12 January 2024	Systems Provider: <b>Xoserve</b>
Modification Panel decision	18 January 2024	 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>
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## 1 Summary

### What

UNC TPD Section Y part B paragraphs 11.4 to 11.6 currently only permit SoLR Customer Charges to be positive. There is now a distinct possibility that DNOs may be in a position of a net refund requiring negative SoLR Customer Charges for 24/25. This Modification makes the necessary changes.

This Modification only addresses the UNC issue, the process for making the transactions and compliance with legislation and licences are the subject of separate discussions between the appropriate parties.

### Why

Ofgem introduced a multi-stage process for claims by SoLRs in late 2021. This comprised of an initial claim, subsequent claim (if made) and a truing up process. For some claims, the truing up process has identified the need for Suppliers to refund over-payments. The “minded to” positions published by Ofgem on 20 October 2023 shows that the net repayment in gas is £4.1M. This means that the UNC needs to provide for negative SoLR Customer Charges. If the final decision is that the net claims are not negative, then this change is not required for 2024/25; however, we will not have enough time once the final position is known to raise a change if one is then found to be needed.

### How

Relatively simple changes are required to TPD Section Y part B paragraphs 11.4 to 11.6 to permit negative SoLR Customer Charges and to recognise that Shippers will be recipients of payments.

## 2 Governance

### Justification for Self-Governance

The Modification should be subject to Self-Governance. The only area it might impact is competition between Shippers but this will have a beneficial effect on competition. The materiality of the expected refund (£4.1M on Ofgem’s minded to position) is small.

### Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance.
- be assessed by a Workgroup for one month (as it has had two pre-modification discussions at November and December 2023 Distribution Workgroups).

## 3 Why Change?

Ofgem introduced a multi-stage process for claims by SoLRs in 2021. This comprised of an initial claim, subsequent claim (if any) and a truing up process. For some claims, the truing up process has identified the need for Suppliers to refund over-payments. The “minded to” position issued by Ofgem on 20 October is that net claims are negative. For the gas sector, there are positive claims of £6.8M and negative claims of £ 11M giving a net negative claim of £4.2M. These values could change when Ofgem makes its final decision in mid-December 2023 but the UNC needs to provide for negative SoLR Customer Charges.

Without this change DNOs would not be permitted to make payments to Shippers to refund net negative SoLR claims. This at best would delay refunds of amounts already charged to Shippers and may lead to challenges to whether the DNOs had complied with the Standard Special Condition A48 Last Resort Supply: Payment Claims.

This is a Code matter because changes to TPD Y part B paragraphs 11.4 to 11.6 are required to permit DNOs to charge Shippers negative SoLR Customer Charges and for Shippers to receive payments. This text was introduced in the UNC by Modification 0797.

## 4 Code Specific Matters

### Reference Documents

TPD Section Y [UNC TPD Y](#)

Ofgem minded to position on 2023 SoLR claims [Last Resort Supply Payment claims minded-to positions 2023 | Ofgem](#)

UNC 0797 Last Resort Supply Payments Volumetric Charges [Modification 0797 v1.0.pdf \(gasgovernance.co.uk\)](#)

### Knowledge/Skills

Wider knowledge of SoLR arrangements including Gas Act, and relevant Transporter and Supplier licence conditions are useful to appreciate the wider context but not necessary to understand the reason for this Modification.

## 5 Solution

Paragraphs 11.4 to 11.6 of TPD Section Y part B need to be amended to permit Shippers to receive payments related to SoLR charges and to permits the DNOs to set negative SoLR Customer Charges.

## 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

Consumers will benefit as this Modification will enable the required transfers to take place in a timely manner.

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

Consumers have currently funded SoLR claims that have turned out to be too high and this Modification will enable this to be rectified if the net claims are negative. If the net claims are positive, then this change is not required for 23/24.

The current claims all relate to domestic consumers; however, the changes will apply to both claims relating to domestic and non-domestic consumers.

<b>Impact of the change on Consumer Benefit Areas:</b>	
Area	Identified impact
Improved safety and reliability	None
Lower bills than would otherwise be the case Should net claims be negative this change will enable the negative net claims to be paid to Shippers, without it negative net claims could not be paid.	Positive
Reduced environmental damage	None
Improved quality of service	None
Benefits for society as a whole	None

### Cross-Code Impacts

None. IGTs do not receive SoLR claims but their customers benefit from existing arrangements for setting DNO charges to CSEPs.

### EU Code Impacts

None.

### Central Systems Impacts

None. The CDSP has already confirmed that their systems can process negative SoLR Customer Charges. Shippers should confirm that their internal systems can also process negative SoLR Customer Charges.

## 7 Relevant Objectives

<b>Impact of the Modification on the Transporters' Relevant Objectives:</b>	
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.	Positive
d) Securing of effective competition: (i) between relevant shippers;	Positive

(ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	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

Table below included because there is a change to Section Y (Charging Methodology):

<b>Impact of the Modification on the Transporters' Relevant Charging Methodology Objectives:</b>	
Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers;	None
b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	None
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	Positive
d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
e) 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 (c) effective discharge of the licensee's obligations is furthered as it enables the DNO to pay net negative SoLR claims if required in accordance with valid claims that may be submitted by Suppliers under Standard Special Condition A48 Last Resort Supply: Payment Claims.

It also furthers Relevant Objective (d) because it furthers competition by ensuring that payments are made to Shippers in a timely manner. For the same reason, it furthers Relevant Charging Methodology Objective (c).

It does not further Relevant Charging Methodology Objective (a) because SoLR charges are not related to the costs incurred by the licensee in its transportation business.

## 8 Implementation

This Modification will not impose any extra costs on DNO or the CDSP as their systems can accommodate negative SoLR Customer Charges. If Shippers' systems are not able to process negative SoLR charges, then they will need to make the necessary changes.

This Modification needs to be implemented before the first Capacity invoice is issued for '24/25 which will be in early May 2024.

As Self-Governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

## 9 Legal Text

### Text Commentary

The changes to 11.4 and 11.5 permit Shippers to receive payments related to SoLR charges. The change to 11.6 permits the DNOs to set negative SoLR Customer Charges.

### Text

Additions in red

11.4 Each Shipper User shall pay **to or receive from** a DN Operator SoLR Customer Charges in the Relevant Year the unit rate for which shall be calculated separately for Relevant DSP Sites and Relevant NDSP Sites by reference to:

(a) for Relevant DSP Sites, the Domestic Component (expressed in pence) and the aggregate peak day SOQ for all Relevant DSP Sites;

(b) for Relevant NDSP Sites, the Non-domestic Component (expressed in pence) and the aggregate peak day SOQ for all Relevant NDSP Sites.

11.5 SoLR Customer Charges shall be calculated separately for each valid claim received by a DN Operator; provided for the purposes of invoicing the DN Operator may aggregate such charges where SoLR Customer Charges in respect of more than one valid claim are payable **or receivable** by Shipper Users in the same Relevant Year.

11.6 The "Relevant Year" is the year (as defined for the purposes of Condition A48) in respect of which a DN Operator is, following receipt of a valid claim, entitled to increase **or decrease its** transportation charges pursuant to Condition A48.

## 10 Recommendations

### Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this Self-Governance Modification.

Panel have also asked respondents to:

1. Consider the unintended consequences of allowing positive and negative SoLR charges.

## 11 Appended Representations

Initial Representations - None