










UNC Final Modification Report	At what stage is this document in the process?
<h1 data-bbox="132 320 1077 427">UNC 0788 (Urgent):</h1> <h2 data-bbox="132 450 1077 591">Minimising the market impacts of ‘Supplier Undertaking’ operation</h2>	<div data-bbox="1209 315 1473 636"> <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>To provide the ability for Suppliers who are operating under a Deed of Undertaking following the Termination of the Shipper User, to utilise other existing Shipper User relationships to source additional supplies of gas and make trade nominations to the Terminated Shipper User account to balance that portfolio and mitigate increased costs, until a new ‘Registered User’ is appointed.</p>	
<p>Next Steps:</p> <ul style="list-style-type: none"> Panel recommends implementation 	
<p>Impacted Parties:</p> <p>High: Suppliers, Shippers, National Grid NTS, Consumers</p> <p>Low:</p> <p>None:</p>	
<p>Impacted Codes:</p> <p>None</p>	

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Timetable		
Modification timetable:		Contact: Joint Office of Gas Transporters
Modification Proposal sent to Ofgem	19 October 2021	 enquiries@gasgovernance.co.uk
Ofgem decision on Urgency	19 October 2021	 0121 288 2107
Modification Proposal issued to Consultation	19 October 2021	Proposer: Jennifer Randall, National Grid NTS
Consultation Close-out for representations	20 October 2021	 Jennifer.randall@nationalgrid.com
Final Modification Report available for Panel	21 October 2021	 07768 251404
Modification Panel recommendation	28 October 2021	Transporter: National Grid NTS
Final Modification Report issued to Ofgem	28 October 2021	 Jennifer.randall@nationalgrid.com
Ofgem Decision expected by	29 October 2021	 07768 251404
		Systems Provider: Xoserve
		 UKLink@xoserve.com

1 Summary

What

Where a terminated Shipper User provides shipping services for one or more Suppliers, such Suppliers are required by their Supplier Licence to make timely arrangements with a new Shipper User to act as the Registered User for their respective consumers ('Supply Points').

Whilst immediate continuity of shipping arrangements at all Supply Points is the preferred outcome, there may be a period during which no replacement Shipper User is appointed (or the transfer to the Shipper has not completed) for the Supply Points which were registered to the Terminated Shipper User ("Terminated Supply Meter Points"). In which case the Supplier may operate under a Deed of Undertaking hereafter referred to as 'Supplier Undertaking'. All Suppliers must enter into a Supplier Undertaking pursuant to Condition 18 of the Supplier Licence. This provides for the Supplier to pay the Transporter all relevant charges in relation to the gas taken out of its pipeline system from the date the Shipper User Termination takes effect, covering both Transportation Charges and Energy Balancing Charges.

A Terminated Shipper User may have been providing shipping services to a Supplier operating under the Supplier Undertaking who has an existing relationship with another Shipper User and who is willing to become the new Registered User for the Terminated Supply Meter Points. However, depending on the number of associated meter points, changing the Registered User from the Terminated Shipper User to the new Shipper User can take time. Only once these meter points are transferred does the existing Shipper User become the Registered User and take on the associated rights and obligations (including the ability to trade). In the time taken to change the Registered User, the 'Supplier Undertaking' arrangements will be in place.

Why

The 'Supplier Undertaking' recognises that a Supplier will not have established commercial arrangements to secure delivery of gas to the Total System to balance the demand of its consumers. Hence the Energy Balancing Charges (payable by the Supplier pursuant to the Supplier Undertaking) operate on the assumption of the relevant Supplier delivering no (zero) gas to the Total System on each of the relevant days. Consequently, the Supplier is effectively required to pay for all its consumers' gas demand at a unit rate in excess of the average cost of gas (a process known as 'cash out').

In the situation whereby a Terminated Shipper User had been providing shipping services to a Supplier who has an existing relationship with another Shipper User for the provision of gas to other Supply Points, that Shipper User could source gas to mitigate the deficit between demand and supply on the Terminated Shipper User's imbalance whilst the Registered User is amended. That Shipper User could source additional gas supplies by cost effective means, but currently has no way of attributing that gas to the correct supply portfolio. Instead, any additional gas sourced would be held on their portfolio as a 'long' imbalance and being cashed out at the SMP(Sell) price.

Alternatively, in respect of the physical delivery of gas, National Grid NTS in its role as residual balancer would typically take system buy balancing actions to incentivise the delivery of additional supplies to the Total System to meet the demand of the relevant Supplier(s) and ultimately consumers. In taking such actions, National Grid NTS, as the residual balancer, is held cash neutral.

As Shipper Users are individually incentivised to balance their supply and demand, the role of residual balancer was only ever envisaged to necessitate the 'fine tuning' of the net balancing positions of all Shipper Users (which are actively taking actions to balance their supply and demand) in order to maintain an operational balance. However, given the prevailing market conditions which has increased risk of Shipper User failure there is a material increase in the likelihood of National Grid NTS as residual balancer having to take

action in respect of securing material volumes of gas to meet the demand of the relevant consumers where a Supplier has to act in accordance with a Supplier Undertaking until a new Registered User is in place. By the residual balancer having to take this action, a higher SMP (Buy) price would be applicable which will increase costs to both Shippers and Suppliers operating under a Supplier Undertaking.

There is also a risk that the residual balancer would be unable to purchase the required volume due to a lack of liquidity as the residual balancer only has access to the On-the-day Commodity Market (OCM). The financial risk to the balancing neutrality account is also increased, given that there is a time-lag of up to two and a half months between settlement of energy balancing trades and subsequent recovery of the costs via Energy Balancing Charges. As the residual balancer trades set the System Marginal Prices (Buy and Sell) then this will both increase the cash out prices for Shipper Users and increase system prices for all Users.

How

Where:

- a Shipper User has been terminated which results in a Supplier operating under its Supplier Undertaking in respect of Terminated Supply Meter Points, and
- where that Supplier has arrangements in place with another Shipper User for the provision of gas to Supply Meter Points other than the Terminated Supply Meter Points, and
- for so long as a Registered User remains absent in respect of any of the Terminated Supply Meter Points

it is proposed that the Supplier shall be eligible to make arrangements with an existing Shipper User to deliver gas to the Total System to satisfy (in whole or in part) the demand of all of the Terminated Supply Meter Points associated to that Supplier.

Additional gas delivered by such Shipper User may be traded at the NBP to the terminated Shipper User whose Gemini account shall be kept open by the CDSP for this purpose and settled by the Supplier, thereby enabling such gas to contribute towards the demand of the Terminated Supply Meter Points and reducing the quantity of gas in respect of which the Supplier would otherwise be charged for at the SMP buy price.

To enable this, a change to the Supplier Undertaking will be required to recognise that the Supplier can arrange for gas to be delivered to reduce its Energy Balancing Charge for the Terminated Supply Meter Points.

Upon the request and confirmation of the Supplier, the CDSP shall use reasonable endeavours to provide to this Shipper User a copy of the Terminated Supplier Meter Point Information (as defined in UNC TPD Section G 4.2.2(f)) to enable them to determine the quantity of demand associated to the terminated Shipper User account and therefore the volume gas to be supplied to the network and of the trade nomination to be made. Relevant provisions in UNC shall be made to give the existing Shipper the vires to trade into the Terminated Shipper Users account.

The Shipper User shall then trade to the Terminated Shippers account at the day ahead stage. Depending on the status of the Terminated Shippers account, a relevant party (either the CDSP or National Grid NTS) shall act on behalf of that account to complete any commercial transactions associated with the trade.

2 Governance

Justification for Urgency

Ofgem's open letter dated 17 February 2016, specifies guidance for the circumstances under which a Modification Proposal would be considered for Urgent procedures. This specifies that an Urgent Modification 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, a significant impact on the safety and security of the electricity and/or gas systems, or cause a party to be in breach of any relevant legal requirements.

There is currently a heightened risk of Shipper Users ceasing to trade which may ship gas for multiple Suppliers. If these Suppliers elect to operate under their 'Supplier Undertaking' (explained in the Why Change? Section 3, below) then there would be no User delivering gas to the system to meet the demand of these Supply Points, thereby generating a national supply / demand imbalance assuming all other Users were balanced.

Under its role as Residual Balancer when National Grid NTS buys gas under this role it sets the System Marginal Buy price which Suppliers operating under the Supplier Undertaking will be exposed to under their imbalance charges as well as Shippers who are short on any day. This will impact the costs incurred by these parties as well increasing overall industry costs.

In its role as Residual Balancer National Grid NTS only has access to the On-the-day Commodity Market (OCM). However, Shipper Users have a more diverse supply portfolio and therefore would be better placed to source the gas at the most efficient price, providing the lowest cost outcome for Suppliers, Shippers and ultimately consumers. Furthermore, if National Grid NTS acting as the residual balancer were to procure gas on the OCM to cover the shortfall, the financial risk to the balancing neutrality account (from which payment is made to the counter-party 2 days after execution of such balancing trades) is increased.

We therefore believe that if this Modification is not implemented urgently, there is a risk of a significant commercial impact on parties. Further, if other Users were to cease trading in similar circumstances vis-à-vis Suppliers, a risk of a significant impact on the operation of the gas system and gas markets.

Requested Next Steps

This Modification should:

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

Given the current prevailing market conditions in the gas shipping and gas supply markets driven by the rapid increase in commodity prices, the issue highlighted in this Proposal needs to be addressed as a matter of urgency and such a timescale did not enable any pre-modification engagement.

3 Why Change?

Background

In the event of the Termination of a Shipper User, any Suppliers utilising the services of that Shipper User are notified of such Termination. In these circumstances, Supplier Licence Condition 18.4 requires Gas Suppliers to "take all reasonable steps" to appoint a replacement Shipper User for its customers within 25 working days of receiving notice of the Termination of the Shipper User.

If such a Supplier does not immediately appoint a replacement Shipper User for the consumers it supplies, under the terms of Supplier Licence Condition 18.1 it is required to:

- Provide the appropriate security to the Transporter; and
- Pay the Transporter all relevant charges for gas taken out of its pipeline system from the date the Termination of the Shipper User takes effect.

The above referenced Supplier agreement to provide security and make payments to the Transporter is known as the 'Supplier Undertaking' and under the terms of Supplier Licence Condition 18.2, all Suppliers are required to provide such an undertaking to the Relevant Gas Transporters (i.e. to those networks utilised to convey gas to the relevant consumers).

The current terms of the Supplier Undertaking (including those made to National Grid NTS) set out that, in respect of Energy Balancing charges, the relevant Gas Supplier pay such charges as if the shipper concerned (i.e. the Shipper User now terminated) had "*not at any time during the relevant period introduced or arranged to be introduce any gas into National Grid NTS's pipeline system*". Accordingly, the Supplier is assumed to have delivered no (i.e. zero) gas to the system to balance the demand of the consumers it supplies.

As a consequence, the relevant Supplier is required to pay a 'cash out' charge at the System Marginal Price (buy) (i.e. at a rate higher than the System Average Price) in respect of the volume of demand of the consumers it supplies. In practice, under current arrangements and assuming all other Shipper Users in the market match their supply and demand, responsibility for securing the delivery of the gas to the Total System (for the required volumes) falls on National Grid NTS in its role as residual balancer for the Total System. This will also increase the imbalance costs for Shippers who are short as they will be charged based on the SMP (buy) price.

In its role as residual balancer, National Grid NTS only has access to the On-the-day Commodity Market (OCM) and therefore meaning Shipper Users have a more diverse supply portfolio and therefore would be better placed to source the gas at the most efficient price, providing the most optimal outcome for Suppliers, Shippers and ultimately consumers.

If National Grid NTS acting as the residual balancer were to procure gas on the OCM to cover the shortfall, there is a increased risk to the balancing neutrality account (from which payment is made to the counter-party 2 days after execution of such balancing trades). Energy Balancing charges are invoiced monthly, being levied at the start of the second month following the month in which trades were executed, with payment being due later in that month (for example, Energy Balancing Invoices for the month of October would be issued in early December).

Recent Events

The potential exposure of Suppliers (acting pursuant to a Supplier Undertaking) to Energy Balancing Charges at the System Marginal Price (buy), was expected to act as an incentive for Suppliers to secure arrangements with a new Shipper User at the earliest opportunity if its existing Shipper User is terminated. However, recent experience has demonstrated this is not necessarily the case.

The current 'challenging' commercial environment in both gas shipping and gas supply has increased the risk of further gas Suppliers needing, or electing, to operate in accordance with an Undertaking for a transitional period and presents concerns relating to the impact of System Marginal Price (buy) on Suppliers, Shippers and ultimately consumers, access to markets and the neutrality account.

Rationale for Proposed Solution

This proposed solution aims to mitigate some of the Supplier imbalance, and therefore increased costs incurred through paying the cash out charge at the System Marginal Price (buy). Under this proposal, where

the Terminated Shipper User has been providing shipping services to a Supplier who has an existing relationship with another Shipper User, that Shipper User could source gas and make trade nominations to the Terminated Shipper User account to offset some of the shortfall between demand and supply in the relevant portfolio. This would enable Suppliers to be in control of and minimise the SMP (buy) cash out exposure that the Supplier would face.

We believe this proposal has several benefits:

- notwithstanding National Grid NTS's role as residual balancer, Shipper Users, as a collective, have the primary role of balancing their own portfolios and hence maintaining system balance and are therefore best placed to secure potentially material quantities of additional supplies to the system (at an optimal cost) to cover the demand from Supply Point portfolios;
- procurement of additional supplies by Shipper Users are likely to have less of an impact on the System Average Price and no impact on System Marginal Prices compared to actions taken by National Grid NTS in its residual balancing role;
- the residual balancer role was envisaged to address a net volume of 'fine-tuning' imbalance as a consequence of shippers being required and incentivised to individually maintain a balance and was not envisaged to procure additional gas to meet the requirement of supply points who are temporarily without a Registered User and whose suppliers do not have the commercial capability to deliver gas to the Total System;
- although a standalone modification this proposal also supplements the proposed UNC Modification "Energy Balancing Arrangements During the Operation of a Supplier Undertaking to Transporters" by minimising the volume of additional supplies to the Total System required to balance the demand of consumers supplied by any Supplier who is acting in accordance with a Supplier Undertaking;
- utilises existing Shipper User / Supplier contractual relationships; and
- it attributes the trade nominations to the correct supply portfolio for the time it takes to change Registered Users.

4 Code Specific Matters

Reference Documents

Gas Supplier Licence in the Ofgem [e-public register](#)

[TPD V4: Discontinuing Users and Termination](#)

[TPD E5: Imbalance](#)

Knowledge/Skills

N/A

5 Solution

Where:

- a Shipper User has been terminated which results in a Supplier operating under its Deed of Undertaking in respect of Terminated Supply Meter Points, and

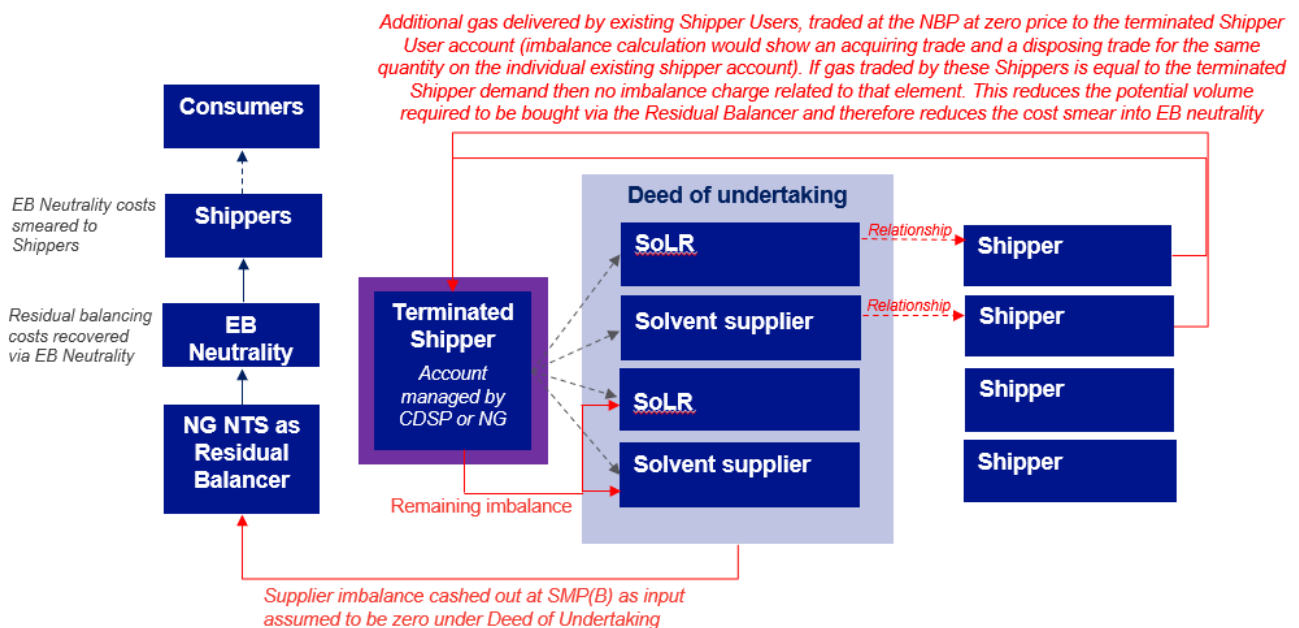
- where that Supplier has arrangements in place with another Shipper User for the provision of gas to Supply Meter Points other than the Terminated Supply Meter Points, and
- for so long as a Registered User remains absent in respect of any of the Terminated Supply Meter Points

it is proposed that the Supplier shall be eligible to make arrangements with such other Shipper User to deliver gas to the Total System to satisfy (in whole or in part) the demand of the Terminated Supply Meter Points.

Additional gas delivered by such Shipper User may be traded at the NBP to the terminated Shipper User whose Gemini account shall be kept open by the CDSP for this purpose, thereby enabling such gas to contribute towards the demand of the Terminated Supply Meter Points and reducing the quantity of gas in respect of which the Supplier would otherwise be charged for at the SMP buy price.

- Upon the request of the Supplier, the CDSP shall use reasonable endeavours to provide to the existing Shipper User a copy of the Terminated Supplier Meter Point Information (as defined in UNC TPD Section G 4.2.2(f))
- Relevant provisions in UNC shall be made to give the existing Shipper the vires to trade into the Terminated Shipper Users account.
- At the day ahead stage, the existing Shipper shall trade the volume of gas into the Terminated Shipper Users account.

The below diagram illustrates how this solution would work in practice and illustrates the cash-flow benefits.



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

Under existing arrangement, the costs of Residual Balancing actions are currently socialised across all Shipper Users. The proposed approach would enable greater optimisation of those costs reducing the extent of such costs passed through to consumers.

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

Reduced charges in the event that, in aggregate, Shipper Users are able to secure the additional supplies at a lower cost than National Grid NTS as the residual balancer.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability	None
<p>Lower bills than would otherwise be the case</p> <p>If Shipper Users are able to secure the additional supplies at a lower unit cost than National Grid NTS as the residual balancer (such costs are passed through to Gas Shippers) this should reduce the extent of costs passed through to consumers</p>	Positive
Reduced environmental damage	None
Improved quality of service	None
<p>Benefits for society as a whole</p> <p>Implementation of this Modification would help to mitigate the current 'challenging' commercial arrangements</p>	Positive

Cross-Code Impacts

None.

EU Code Impacts

None.

Central Systems Impacts

None identified at this stage.

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.	Positive
b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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

The Modification furthers Relevant Objectives (a) and (d), as follows:

a) Efficient and economic operation of the pipe-line system.

The proposed changes in this Modification would introduce a more efficient and potentially more economic means of securing delivery of additional supplies of gas to the Total System to balance the demands from the consumers of a Supplier that is acting in accordance with a Supplier Undertaking. This affords Shipper Users a level of control over the costs of those potentially material volumes which it may be able to secure in a more efficient manner from sources not available to National Grid NTS as the residual balancer.

Provision of such additional supplies by Shipper Users as a collective will enable National Grid NTS to continue to focus on the role of the residual balancer within the current commercial frameworks in the most economic and efficient manner. This ensures that the residual balancing function delivers the intended service of fine tuning the aggregate imbalance on the Total System (from Shipper Users actively seeking to balance inputs and outputs) in absence of the further function of the procurement of additional gas supplies, effectively on behalf of failed Shipper Users.

d) Securing of effective competition between relevant shippers;

The proposed changes in this Modification are expected to provide a more efficient means of securing delivery of additional gas supplies to the Total System than would otherwise be the case with National Grid NTS acting

as residual balancer, for the specific purpose of meeting the gas demand of a Supplier acting in accordance with a Supplier Undertaking. Enabling Shipper Users as primary balancers to procure such volumes (as opposed to incurring a proportion of the residual balancing costs, the level of which are outside the control of the Shipper Users) enables greater optimisation of those costs thereby better securing effective competition between Shipper Users compared to the current arrangements.

8 Implementation

Implementation is sought as soon as practicable given the current difficulties being encountered within the gas shipping and gas supply markets and the highlighted potential impact on National Grid NTS as the residual balancer.

There is no lead time required for implementation hence this Modification could be implemented as soon as practicable following an Authority direction to implement it.

9 Legal Text

Legal Text has been provided by National Grid NTS and is published alongside this report.

Text Commentary

Legal Text Commentary has been published alongside this report at: <https://www.gasgovernance.co.uk/0788>

Text

Legal Text has been published alongside this report at: <https://www.gasgovernance.co.uk/0788>

10 Consultation

Ofgem invited representations from interested parties on 19 October 2021. The following table provides a high-level summary of the representations received and are provided for reference on a 'reasonable endeavours' basis only. It is recommended that all representations are read in full when considering this Report. Representations are appended to this Final Modification Report.

Of the 13 representations received 9 supported implementation, 3 offered qualified support and 1 provided comments.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives
Barrow Shipping	Support	d) positive
Brook Green Supply Limited	Support	a) positive d) positive
Centrica	Support	a) positive d) positive
Ceres Energy	Qualified Support	a) positive

		d) positive
EDF	Support	a) positive d) positive
E.ON	Support	a) positive d) positive
Good Energy	Qualified Support	a) positive d) positive
ICoSS	Support	a) positive d) positive
National Grid NTS	Support	a) positive d) positive
Northern Gas Networks	Support	a) positive
Scottish Power	Qualified Support	a) positive d) positive
Shell Energy Europe Limited	Support	
Wales & West Utilities	Comments	a) positive d) indeterminate

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.

11 Panel Discussions

Discussion

The Panel Chair summarised that Modification 0788 (Urgent) would provide the ability for Suppliers who are operating under a Deed of Undertaking following the Termination of the Shipper User, to utilise other existing Shipper User relationships to source additional supplies of gas and make trade nominations to the Terminated Shipper User account to balance that portfolio and mitigate increased costs, until a new 'Registered User' is appointed.

Panel Members considered the representations made noting that of the 13 representations received, 9 supported implementation, 3 gave qualified support and one made comments only. There were no responses opposing the Modification and there were no late submissions.

Panel Members considered the following comments made in representations:

Panel Members noted where respondents commented that the legal text of the Modification did not exactly match the terms set out in the proposed solution. The qualification was that they support implementation of the modification using the provided text because the drafting is less restrictive than the terms laid out in the

proposal. Panel Members noted the concerns were related to where a Supplier is considered to have a relationship with a Shipper and the scenarios where the proposed rules would or would not apply. The proposer confirmed that the text provided would not impact the overall intent of the Modification as proposed.

Panel Members noted that some respondents commented on the requirement that the Virtual Last Resort User should provide a notice to National Grid NTS, with evidence (satisfactory to National Grid NTS) that the Supplier has authorised the notice to be given. Respondents commented that a letter of authority signed by a representative of the supplier should be deemed satisfactory for these purposes, and that given the circumstances National Grid should be expected to operate this requirement swiftly. Panel Members noted that the process to be adopted would be using letters or email for confirmation of authority and not necessarily rely on hard evidence of contracts being in place between Suppliers and Shippers initially.

Panel Members noted that a respondent commenting on the implementation timeframe where most respondents supported implementation as soon as possible following Authority direction. Suggested that implementation should be made one week after Authority direction to permit time to test any changes to operational processes. Panel Members noted that central system changes are unlikely to be needed to support the Modification implementation as it will use existing systems and processes. A DSC Change Proposal has been raised to clarify that there will be no impacts based on process to be adopted, therefore implementation should be as directed by the Authority.

Panel Members noted that some respondents commented that the proposed arrangements appear not to have any time limits. With a respondent suggesting the arrangements should have a 'sunset' clause. Panel Members noted and agreed with the proposer that the Modification is an enduring solution. However, Panel and the industry have opportunities to review, develop or remove aspects of Code should they no longer meet industry requirements.

Panel Members noted that a respondent commented that the proposed arrangement appears to create a separation between the shipper role for energy balancing and the role that would face transportation charges, noting that the proposed changes would be made only to UNC TPD Section E. Panel Members noted the confirmation that this process only applies to energy balancing elements of Code and has not impact on transportation charging or process which will still be managed via Xoserve billing, and therefore no impacts on Distribution Network Operators.

Some Panel Members were very concerned that the short one-day consultation caused a rushed representation to be submitted, with very little time available to consider the potential impacts of this Modification and provide a considered response.

Panel Members noted that some respondents, while not opposing the Modification, had provided comments concerning the proposals that could not be addressed during the Urgent Modification process. However, it was acknowledged that should this Modification be directed for implementation, the Urgent process allows the Panel the opportunity to request a Workgroup to submit a report on the impacts of its implementation, which could include Panel questions related to the comments submitted by respondents.

Panel Members noted that as there was no direct impact on the IGT UNC and a reciprocal IGT Modification was not required. However, there might need to be changes to the IGT deed of undertaking, although these should not impact the Modification process.

Consideration of the Relevant Objectives

The Panel considered whether the Modification would further the Relevant Objectives:

a) Efficient and economic operation of the pipe-line system

Some Panel Members agreed the proposed changes in this Modification would introduce a more efficient and potentially more economic means of securing delivery of additional supplies of gas to the Total System to

balance the demands from the consumers of a Supplier that is acting in accordance with a Supplier Undertaking. This affords Shipper Users a level of control over the costs of those potentially material volumes which it may be able to secure in a more efficient manner from sources not available to National Grid NTS as the residual balancer.

Provision of such additional supplies by Shipper Users as a collective will enable National Grid NTS to continue to focus on the role of the residual balancer within the current commercial frameworks in the most economic and efficient manner. This ensures that the residual balancing function delivers the intended service of fine tuning the aggregate imbalance on the Total System (from Shipper Users actively seeking to balance inputs and outputs) in absence of the further function of the procurement of additional gas supplies, effectively on behalf of failed Shipper Users.

d) Securing of effective competition between relevant shippers;

Some Panel Members agreed the proposed changes in this Modification are expected to provide a more efficient means of securing delivery of additional gas supplies to the Total System than would otherwise be the case with National Grid NTS acting as residual balancer, for the specific purpose of meeting the gas demand of a Supplier acting in accordance with a Supplier Undertaking. Enabling Shipper Users as primary balancers to procure such volumes (as opposed to incurring a proportion of the residual balancing costs, the level of which are outside the control of the Shipper Users) enables greater optimisation of those costs thereby better securing effective competition between Shipper Users compared to the current arrangements.

Some Panel Members felt that this Modification supports stability in the market and would not necessarily further competition or this Relevant Objective d) in these circumstances.

Determinations

Panel Members voted with 13 votes in favour (out of a possible 13) unanimously, to recommend implementation of Modification 0788 (Urgent).

12 Recommendations

Panel Recommendation

Panel Members recommended:

- that Modification 0788 (Urgent) should be implemented.

13 Appended Representations

Representation - Barrow Shipping

Representation - Brook Green Supply Limited

Representation - Centrica

Representation - Ceres Energy

Representation - EDF

Representation - E.ON

Representation - Good Energy

Representation – ICoSS

Representation - National Grid NTS

Representation - Northern Gas Networks

Representation - Scottish Power

Representation - Shell Energy Europe Limited

Representation - Wales & West Utilities

Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: **5:15pm on 20 October 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Tim Davis
Organisation:	Barrow Shipping
Date of Representation:	20 October 2021
Support or oppose implementation?	Support
Relevant Objective:	Supports effective competition
Relevant Charging Methodology Objective:	Not Applicable

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

In the event of User failure, viable Suppliers may have, or be able to make, arrangements to source gas but not be able to credit this against their customers and so face significant cashout charges. Steps that avoid this are welcome.

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

Immediate

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

None

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

We welcome the legal text that encompasses a wide range of circumstances.

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

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

1. Ideally this modification proposal would have been subject to scrutiny and development to ensure all understood the scenarios envisaged by the legal text and, for example, provided a clear understanding of how any discretion offered to National Grid NTS would be exercised. However, time is of the essence and we would welcome assurance that, when evidence is presented to National Grid NTS as envisaged in 10.1.1 (d), the requirement to ensure this is “satisfactory to National Grid NTS” will be discharged swiftly by National Grid NTS, and that the presumption is that evidence will be accepted.

Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: **5:15pm on 20 October 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Harry Hailwood
Organisation:	Brook Green Supply Limited
Date of Representation:	20 October 2021
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	N/A

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

This proposal will likely reduce the impact of a shipper exiting the market therefore removing shipping services from third party suppliers.

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

As soon as possible to reduce the effects identified.

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

We expect we will incur minimal costs, as we currently ship for ourselves.

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

Insufficient time to review 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.*

We have concerns that although the process is intended to resolve the short-term issue of suppliers needing to arrange new shipping arrangements, it does not have an apparent end date and so these suppliers could operate under these new arrangements indefinitely. This means that the suppliers in question, could avoid resolving the issue if it is beneficial to them.

We believe that there should be a defined period in which a supplier can utilise these arrangements, to encourage said supplier to obtain a new shipper as soon as possible.

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

N/A

Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: 5:15pm on 20 October 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Oorlagh Chapman
Organisation:	Centrica
Date of Representation:	20 th October 2021
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

We support the proposal of Mod 0788 to enable a Supplier to source gas supplies from an alternative Shipper User in the event of a Termination of a Shipper User. This is a practical option to enable the Supplier to potentially minimise the SMP (buy) cashout exposure that could be otherwise applicable. We agree 0788 results are sufficient and further or additional requirements are not suitable or required.

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

We have no comment on the proposed timescales.

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

There is insufficient time to comprehend any consequential impacts of this modification.

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

No comment

Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: **5:15pm on 20 October 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Mary Craig
Organisation:	Ceres Energy
Date of Representation:	20/10/2021
Support or oppose implementation?	Qualified Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

We support this modification in the form of the legal text presented. This provides a route for suppliers to recover their supply chain as quickly and simply as possible in the event of Shipper failure. It reduces the financial risks associated with extended exposure to the market. The legal text allows a supplier to contract with and quickly put in place a new shipper. This reduces risk for suppliers and increases stability in the market. Appointment of the replacement Shipper after termination is by contract with the supplier and notification to National Grid.

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

As soon as possible, against the risk of further Shipper failures.

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

The legal text facilitates a rapid commercial transfer and recovery of the shipper supplier relationship. There is no unnecessary limitation on which shippers could take on this role.

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

We are content that the legal text places no undue restriction on the qualification of a new shipper subject to them being 'Satisfactory to NG NTS' We note that that under Paragraph 10.1.1(d) the supplier will provide evidence of the shipper supplier relationship provided by a User that is 'Satisfactory to NG NTS.' We believe a letter of authority from the supplier is satisfactory evidence.

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.*

There is some mismatch between the text in the proposal and the legal text in that the legal text does not place restrictions on the replacement Shipper while the report suggest only a shipper

'where that Supplier has arrangements in place with another Shipper User for the provision of gas to Supply Meter Points other than the Terminated Supply Meter Points.'

We see no reason why this restriction is necessary. It limits the benefits of the proposal to a great extent by excluding viable options for suppliers.

Our support is for the legal text and not for the wording of the report.

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

With so much uncertainty in the market it is important to get effective methods of re-establishing stable relationships between Shipper and Supplier as seamlessly as possible.

Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: **5:15pm on 20 October 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	John Costa
Organisation:	EDF
Date of Representation:	20 October 2021
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

We support this proposal as the main solution to mitigate the clear risks for both Suppliers operating under their Deed of Undertaking and the System Operator in the event a large shipper or multiple shippers are terminated. The solution where Xoserve as CDSP (Central Data Service Provider) becomes the responsible party for matching existing shippers' nominations on Gemini for those suppliers means the gas system will be better balanced and balancing costs reduced both for the shippers and suppliers involved from lower Residual Balancing actions by the system operator.

We therefore agree, given the circumstances that this Urgent modification proposal would facilitate Relevant Objectives a) Efficient and economic operation of the pipe-line system and d) securing of effective competition.

However, we are disappointed that this fundamental change to arrangements has been raised as Urgent giving the industry less than 24h to consider the proposal and implications especially when National Grid has stated they have been working on it for quite some time following previous shipper supplier failures over the last year. On this point we note that one large shipper CNG has gone into Special Administration today to provide an orderly exit from the market on the 30th Nov. So there is a question about whether the tight timelines for this Urgent modification can be relaxed a bit to allow some proper industry discussion and development.

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

There has been insufficient time to fully consider this proposal and implications however we believe a lead time of at least 1 week would be sensible to a) understand how it would work in practice and even have a dry run if possible and b) allow time to implement any necessary system and process changes resulting from the Mod.

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

We have not had time to understand if there are system implications or not but assume not if Shippers carry on nominating as normal and CDSP does the matching behind the scenes? This part has not been made clear.

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

Due to the significant lack of time to review this Urgent proposal and respond we have not had a chance to review the legal text to see if there are any unintended consequences.

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 significant lack of time to review this Urgent proposal and respond we have not had a chance to review the legal text to see if there are any errors or unintended consequences that need flagging.

However, we note that another Urgent modification UNC789 has also been raised yesterday to largely address the defect UNC788 is designed to address. We would note that there are issues with both proposals working alongside each other given that Shippers balancing their supplier volumes against UNC788 will not leave the system exposed and thus should not be required to take on extra demand/ balancing for these same customers as that would be double counting. For the avoidance of doubt we do not believe that UNC 789 better meets the relevant objectives and that UNC 788 is the preferable change.

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

N/a

Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: **5:15pm on 20 October 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Michael Lain
Organisation:	E.ON
Date of Representation:	20/10/21
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

- We support the modification.
- The proposal will improve suppliers' ability to manage exposure to cash-out prices.
- Currently a supplier's exposure is significant due to the (lengthy) transition period between the SOLR taking effect and the appointment of the new shipper.
- Technically the proposal should mean that costs can be reduced although it is not guaranteed that cash-out prices would *a/ways* be more expensive than other purchasing routes, but it is acknowledged that in principle the modification should reduce costs and at the very least enhance risk mitigation.

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

As soon as possible

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

Should existing mechanisms be used we would expect the impact and cost to be low and outweighed by the potential benefits

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

Yes

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.*

Not any identified

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

NA

Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: **5:15pm on 20 October 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Kit Dixon
Organisation:	Good Energy
Date of Representation:	20/10/2021
Support or oppose implementation?	Qualified Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

We support the implementation of the changes to the legal text, in that it mitigates the impacts of a Shipper exiting the market, and relevant suppliers being subject to SMP prices due to being unable to attribute gas to the correct supply portfolio. The consequences of this would be severe for the suppliers involved, National Grid NTS and the wider market. We believe that the legal text will allow suppliers using a terminated third-party shipper to authorise a new shipper (irrespective of whether they are already a shipper for that supplier) to allocate gas to the failed shipper's account, and therefore the supplier's demand portfolio.

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

Due to the imminent risk of a shipper failure, this modification should be implemented as soon as practicable after approval is granted by the Authority.

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

The change as detailed in the legal text would limit the extent to which we would face SMP charges during the period between our existing Shipper being issued a Termination Notice by NTS, and the migration of our Terminated Supply Meter Points to a new Shipper.

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

Paragraph 10.1.1(d) states that evidence provided by a User to National Grid that a supplier has authorised them to give notice should be 'Satisfactory to NG NTS.' It is our interpretation that a letter of authority signed by a representative of the supplier would be deemed satisfactory. If so, we are satisfied that the legal text will deliver the intent of the Solution.

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 proposal document for 0788 does not reflect the legal text provided alongside. The proposal stipulates that the solution can only be implemented

'where that Supplier has arrangements in place with another Shipper User for the provision of gas to Supply Meter Points other than the Terminated Supply Meter Points.'

We do not see that the legal text enforces this requirement.

However, the requirements set out in the proposal would limit the efficacy of the change severely, for no immediately obvious reason. As we understand it there is no practical barrier to the solution which would necessitate a supplier having existing arrangements with another shipper.

Therefore, while the legal text does not appear to reflect the proposal entirely, we think it provides the best solution to the problem identified by the proposer and should remain as currently drafted. Our support of the modification is conditional upon this.

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

It is highly likely that as many as 18 suppliers may soon be in a situation where their Shipper has failed. This, as highlighted in the modification report and in our response, poses a risk not only to those suppliers but also for National Grid NTS and the wider market. It is important that any solution put forward to Ofgem caters for as many of those parties as possible, irrespective of whether they are acting as a Supplier of Last Resort (SoLR) or work with one or multiple Shippers. The legal text to be implemented as part of this modification achieves such a solution. We are supportive of this modification on that basis.

Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: **5:15pm on 20 October 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Gareth Evans
Organisation:	ICoSS
Date of Representation:	20 October 2021
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

This proposal is likely to reduce the potential impact of a shipper exiting the market in an uncontrolled fashion, removing shipping services from 3rd party suppliers. This will further the relevant objectives identified above./

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

As soon as possible to reduce the negative effects identified in this modification, which it is seeking to avoid.

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

We anticipate members will incur minimal costs if they are not eligible for this process. Members who may be using this process will be able to reduce their balancing costs by engaging directly with a shipper.

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

We have not had time to review 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.*

We do have concerns that the process, whilst intended to resolve an apparently short-term issue as which impacted suppliers arrange new shipping arrangements, does not have an apparent end date and so these suppliers can seem to operate under these arrangements indefinitely. This means these suppliers (and the associated shippers) can avoid resolving the issue if commercially or operationally convenient.

We believe that consideration should be given to a “sunset” clause for these arrangements to be retired from the UNC, or a defined period in which a supplier may utilise these arrangements to encourage that supplier to obtain a new shipper as soon as possible.

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

NA

Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: 5:15pm on 20 October 2021

To: enquiries@gasgovernance.co.uk

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

Representative:	Jennifer Randall
Organisation:	National Grid NTS
Date of Representation:	20 th October 2021
Support or oppose implementation?	Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

National Grid NTS believes this modification furthers relevant objectives a) and d) for the following reasons;

- Provides an option for suppliers acting under a Deed of Undertaking to mitigate their SMP (buy) exposure
- Introduces a more efficient and potentially more economic means of securing delivery of additional supplies of gas to the Total System, to trade these into the Terminated Shipper account, and therefore to balance the demands from the consumers of a Supplier that is acting in accordance with a Deed of Undertaking.
- Procurement of additional supplies by Shipper Users are likely to have less of an impact on the System Average Price and System Marginal Price compared to actions taken by National Grid NTS as residual balancer and therefore reduce the impact on Shippers imbalance charges.
- Enables National Grid NTS to focus on the intended role as residual balancer of 'fine tuning' the aggregate imbalance
- Enables greater competition between Shipper Users by optimising imbalance costs.

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

National Grid NTS seeks implementation of this modification as soon as is practicable given the current difficulties being encountered within the gas shipping and gas supply markets and the potential consequential impacts on National Grid NTS as the residual balancer, the Industry and ultimately consumers.

No lead time is required as implementation can be achieved via existing capabilities.

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

The modification would result in an additional process for National Grid but we do not believe that any associated costs would be material. This modification proposes to mitigate a proportion of residual balancer costs which feed through to Energy Balancing Neutrality and onto Shipper Users and ultimately end consumers.

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

Yes, National Grid NTS are satisfied the amendments to the “Deed of Undertaking” and to UNC TPD Section E delivers the intent of the solution.

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

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

None

Joint Office

enquiries@gasgovernance.co.uk

20th October 2021

Dear Sir or Madam,

Re: 0788U Minimising the market impacts of 'Supplier Undertaking' operation

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/opposition:

Please summarise (in one paragraph) the key reason(s)

We are aware that the gas market is in unprecedented times with the impacts of cost of wholesale gas and the resulting failure of a large number of suppliers. These scenarios also increase the risk of failure of shippers, as also seen. A shipper who ships for multiple suppliers who fails would usually result in 'stranded' suppliers who are still trading, but no longer have an associated shipper. All suppliers therefore have to sign up to a Deed of Undertaking in accordance with supplier licence condition 18.

Recent announcements have shown that failure of such a shipper is a possibility, and therefore this places a large burden onto National Grid NTS (NTS) to ensure that the system remains balanced. As NTS are limited to only having ability to purchase within day from the On Day Commodity Market, this is likely to result in high costs, which would then result in higher costs to the suppliers as well as any shippers who were ending the day 'short'. This in turn places additional financial impacts to businesses that may already be stretched, risking further supplier or shipper failures.

The amendment of code and the Deed of Undertaking should facilitate this additional option to minimise cost they pay for the price of balancing the gas offtaken.

Based on the above comments we believe that this proposal should further Relevant Objective a) *Efficient and economic operation of the pipe-line system.*

Self-Governance Statement:

Please provide your views on the self-governance statement.

As this proposal has been granted urgency status, self governance is not applicable or appropriate.

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

**we are
the network**

Implementation:

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

This proposal could be implemented as soon as the authority directs.

Impacts and Costs:

What analysis, development and ongoing costs would you face?

NGN has identified no analysis or development required and no ongoing costs incurred as a result of this proposal.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the Solution?

The legal text should deliver the intent of the Solution

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.

None identified.

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

Northern Gas Networks also support the changes to the Deed of Undertaking, whilst not formally part of this modification, we recognise that these changes are required to enable the modification changes to be effectively enacted.

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 (Industry Codes)
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



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Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: **5:15pm on 20 October 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Gerry Hoggan
Organisation:	Scottish Power
Date of Representation:	20 th October 2021
Support or oppose implementation?	Qualified Support
Relevant Objective:	a) Positive d) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

We are generally supportive of the Proposal in that it would appear to offer an option which would allow suppliers to utilise other shipping arrangements to mitigate the impacts of a failed shipper with whom they had a commercial arrangement. However, we are sceptical that shippers are likely to have arrangements with multiple shippers in place or that in current market circumstances alternative shippers would be available to contract with on sustainable terms and conditions. As such we remain dubious about the extent to which the Proposal will have a beneficial impact on the financial implications arising from failed shippers and would suggest that alternative solutions should still be explored with industry.

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

We agree that allowing for current market circumstances the Proposal should be implemented as soon as practicable

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

none

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

The legal text has not been subject of review allowing for the abbreviated consultation timescale.

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.*

One of the rationales for the proposal, and the related MOD0789, appears to be the assumption that all other Shippers are otherwise balanced but no evidence to support that assumption has been provided.

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

None

Representation – Shell Energy Europe Limited – provided by email 20 October 2021

Good afternoon

Given that I did not receive this proposal direct from the Joint Office, we have had very little time to assess the merits or otherwise of this proposal but the initial view for Shell Energy Europe Limited (SEEL) is that this proposal is a positive change to the UNC in that it could reduce a supplier's exposure to SMP Buy, where they are left short through no fault of their own and it may serve to reduce volatility and wider shipper exposure to imbalance charges.

Best regards
Christiane.

Christiane Sykes

Commercial Regulatory Affairs Manager NW
Shell Energy - Europe and Environmental Products

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Registered in England and Wales

Registered number: 525037

Registered office: Shell Centre, London SE1 7NA

Representation - Modification UNC 0788 (Urgent)

Minimising the market impacts of 'Supplier Undertaking' operation

Responses invited by: **5:15pm on 20 October 2021**

To: enquiries@gasgovernance.co.uk

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

Representative:	Richard Pomroy
Organisation:	Wales & West Utilities
Date of Representation:	
Support or oppose implementation?	Comments
Relevant Objective:	a) Positive d) Indeterminate
Relevant Charging Methodology Objective:	Not Applicable

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

We provide initial comments only because we have not had sufficient time to properly analyse the impact

We recognise that implementation will mean that National Grid NTS acting as residual balancer, does not have to act for the purpose of meeting the gas demand of a Supplier acting in accordance with a Supplier Undertaking. We also recognise that this could, depending on whether Suppliers and Shippers would make use of this arrangement, reduces disruption to the market caused by a Shipper exiting the market in a disorderly way; however, no information has been provided to enable a judgement to be made on this.

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

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

We are concerned that there may be consequential impacts that that are not yet understood that will impose direct or indirect costs on WWU.

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

Insert Text Here

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.*

Insert Text Here

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

There is nothing in the modification that describes the number of Supply Points that could fall into this arrangement and hence the potential impact this modification could have. For example, the modification could have given the number of Supply points contracted to Suppliers that have relationships with more than one Shipper. This would give an upper bound on the number of Supply Points that could be covered by this arrangement and would have been helpful to respondents.

We recognise that the situation is fast moving but a one-day consultation only provides parties with time to read the consultation, there is no time to consider any consequential impacts and therefore does not allow time for considered responses with assessment of potential costs.

The comments below have been made based on a review of the proposal in the time available and therefore are limited to initial impressions.

This arrangement would only seem to work where the Supplier makes arrangements in advance with its second Shipper ahead of the original Shipper being terminated.

The modification addresses energy balancing concerns and we recognise that this is where most of the cost lies; however, it is not immediately clear whether the second Shipper takes on responsibility for paying transportation charges and provision of credit cover and all the other responsibilities of a Shipper. We assume that they do not because the changes are to TPD E only. If they do not and the Transporter relies on the deed of undertaking, then one party will be responsible for the Shipper role for energy and another for transportation. It is not clear whether CDSP and UNC parties systems can cope with this arrangement.

The arrangement proposed in the solution of this modification is not time constrained (the changes are not going in the transition document) so could in theory continue indefinitely although we recognise that this is not the intention.