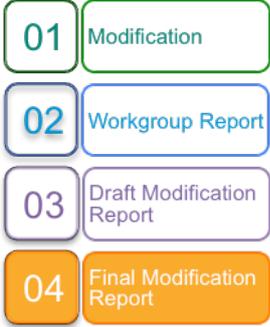


Stage 04: Final Modification Report	At what stage is this document in the process?
<h1>0580S:</h1> <h2>Implementation of Non Effective Days to enable Annual AQ Review (independent of Nexus transition)</h2>	
<p>The volume of data processed to support the Annual AQ process is significant. There is insufficient time to ensure that all AQ data is processed and consistently populated across UK Link Systems and to Users. This modification seeks to introduce Non Effective Days in order to facilitate this review.</p>	
	<p>Panel consideration is due on 16 June 2016 (<i>at short notice by prior agreement</i>)</p>
	<p>High Impact: Transporters, Shipper Users, Suppliers</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: None</p>

Contents		 Any questions?
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<b>3 Solution</b>	<b>4</b>	 <b>0121 288 2107</b>
<b>4 Relevant Objectives</b>	<b>5</b>	Proposer: <b>Hilary Chapman</b>
<b>5 Implementation</b>	<b>6</b>	 <a href="mailto:Hilary.Chapman@sgn.co.uk">Hilary.Chapman@sgn.co.uk</a>
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<b>9 Panel Discussions</b>	<b>12</b>	 <a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>
<b>10 Recommendation</b>	<b>12</b>	Additional contacts: <b>David Addison</b>
<b>About this document:</b>		 <a href="mailto:David.Addison@xoserve.com">David.Addison@xoserve.com</a>
This Final Modification Report will be presented to the Panel on 16 June 2016. The Panel will consider the views presented and decide whether or not this self-governance change should be made.		
The Workgroup recommended the following timetable:		
Initial consideration by Workgroup	28 April 2016	
Workgroup Report presented to Panel	19 May 2016	
Draft Modification Report issued for consultation	19 May 2016	
Consultation Close-out for representations	10 June 2016	
Final Modification Report published for Panel	13 June 2016	
UNC Modification Panel decision	16 June 2016	

# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that this is a Self Governance modification since it only repeats the Ofgem approved effects of UNC Modification 0535 (which applied to annual AQ review AQ15).

Therefore, the non-effective days required for AQ16 do not present a material impact on consumers because the transfer of registration process is not extended.

The Workgroup recommends that this modification should not follow self-governance procedures, as it is likely this modification could have a material impact on consumers and contractual arrangements. It was noted that although Ofgem had previously approved a similar modification, this would not provide justification that the changes proposed in this modification were immaterial. In addition, the number of non-effective days proposed have increased to ensure they are consistent with those proposed for Project Nexus implementation.

## Is this a Fast Track Self-Governance Modification?

No, because this is not a housekeeping change.

## Why Change?

Without this modification the prescribed timescales in the UNC do not allow enough time to process the significant volumes of data necessary to manage the Annual AQ review. This modification has been raised on behalf of industry parties in order to enable efficient management of the Annual AQ review activities.

## Solution

This modification proposes that seven (7) Non Effective Days are introduced between 24<sup>th</sup> and 30<sup>th</sup> September 2016.

## Relevant Objectives

It is proposed that this will have a positive effect on relevant objective (f).

## Implementation

No implementation timescales are proposed.

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

This modification does not impact a Significant Code Review.

The modification does have a linkage to Nexus implementation and associated UNC Modification 0432 - Implementation of Non Effective Days (Project Nexus Transitional modification), in that the seven non-effective days proposed will occur concurrently. This modification is not dependent upon Modification 0432 as the non-effective days under this Modification 0580 are required irrespective of those under Modification 0432.

## 2 Why Change?

The timescale between the Objection Deadline and the Supply Point Registration Date (commonly referred to as the confirmation period) is 2 business days. These 2 days allow a period where the change of shipper event is confirmed – i.e. it cannot be stopped – and therefore industry participants can undertake activities in preparation for the Supply Point Registration Date.

In normal operation this period is sufficient such that the data can be collated from the Supply Point Administration element of UK Link Systems and provided to Gemini to ensure that the demand attribution can run effectively and that this data is viewable to Users at D-1.

During the AQ Review Process a significant proportion of the Supply Meter Points have AQs recalculated resulting in significant data updates. This requires additional time to collate, validate and propagate the data between the two elements of the UK Link system. Consistent with the AQ Review Process in 2015 (UNC Modification 0535 refers), it is proposed that Non Effective days are added in order to provide sufficient time to process the large volumes of data.

The impact of not making this change will mean that the Gemini will not be able to publish robust Demand figures for NDM sites, therefore this would pose significant risks to Energy Balancing processes and consequently individual User positions.

## 3 Solution

In order to provide sufficient time to process the large volumes of data, seven Non Effective days are required. This modification proposes that seven Non Effective Days are introduced between 24<sup>th</sup> – 30<sup>th</sup> September 2016. Following industry discussion, it has been agreed that seven Non Effective Days are required as this reflects the arrangements under Modification 0432 “Implementation of Non Effective Days (Project Nexus Transitional modification)”, and therefore provides Shipper Users with increased certainty when engaging with customers and arranging contract commencement dates. It has been agreed that a stable position of seven Non Effective Days would minimize the risks of any issues being encountered during registration activities, thus ensuring that the customer experience is maintained positively.

The effect of the Non Effective days will primarily bring forward the Objection Deadline to Wednesday 21<sup>st</sup> September 2016 for change of shipper events where the Supply Point Registration Date is within the critical processing period and the User has submitted the confirmation with the minimum timescales.

This solution enables the Transporter Agency to generate the relevant flows and validate them.

This solution does not impact the minimum switching timescales as this – following Faster Switching – is based upon a minimum number of calendar days having expired. For confirmations that are in progress, with the minimum timescales, it does reduce the objection period for the impacted confirmations.

By setting these dates as Non Effective this will mean that files will not be processed during this time.

It is proposed that the Non Effective days would apply to the following processes in UNC section G and M. The following processes and communications would be impacted as a result of the Non Effective days:

- Supply Point Enquiry
- Supply Point Nomination
- Supply Point Offer
- Supply Point Confirmation
- Supply Point Objection

- Supply Point Withdrawal
- Request for Isolation
- Application to Increase or Reduce Supply Point Capacity
- NDM Meter Readings
- Meter Information Notifications and Meter Information Update Notifications
- Revisions to AQ – ‘New Business’ Large Supply Point Appeals

Supply Point Confirmations can become effective on these Non Effective days.

These Non Effective days shall not constitute Supply Point System Business Days for the purposes of the above processes.

Relief from DM Liabilities is not required.

Liability relief related to the processes described above being subject to the Non Effective Days – i.e. Supply Point Offers, Supply Point Nominations (specifically Referrals) and updates to the Supply Point Register where the Meter Installation Works is completed by the Transporter.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

## 4 Relevant Objectives

### Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> <li>(i) the combined pipe-line system, and/ or</li> <li>(ii) the pipe-line system of one or more other relevant gas transporters.</li> </ul>	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition:	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.	
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.	Positive
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

This modification will further relevant objective f), Promotion of efficiency in the implementation and administration of the Code. It will allow the Transporter Agency sufficient time to validate and propagate information within UK Link Systems and to Users within the required timescales. The solution proposed eliminates significant changes to central systems that would have otherwise been required to support Modification 0477 – i.e. to enable the confirmation period and provision of data to Gemini on the same day. Such performance changes from the previous five day window (from D-7, the previous objection deadline, to D-2 when the data is passed to Gemini) to same day processing would have required considerable time to conduct analysis and after implementation may not have delivered the necessary enhancements. This might have only been identified once significant investment had been expended.

By confirming 7 non effective days during this period being the same as those proposed and planned for under Modification 0532, this will provide the industry with certainty on the management of their systems and processes and therefore ensure the effective administration of Code.

## 5 Implementation

No implementation timescales are proposed. However, 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.

The Workgroup recommends that this modification should not follow self-governance procedures and therefore should be implemented as soon as reasonably practicable following an Ofgem decision to do so.

## 6 Impacts

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

This modification does not impact a Significant Code Review.

The modification does have a linkage to Nexus implementation and associated UNC Modification 0432 - Implementation of Non Effective Days (Project Nexus Transitional modification), in that the seven non-effective days proposed will occur concurrently. This modification is not dependent upon Modification 0432 as the non-effective days under this Modification 0580 are required irrespective of those under Modification 0432.

## 7 Legal Text

### Text Commentary

The legal text for this modification seeks to suspend relevant sections of code to enable the Annual AQ review to take place on the 24<sup>th</sup>, 25<sup>th</sup>, 26<sup>th</sup>, 27<sup>th</sup>, 28<sup>th</sup>, 29<sup>th</sup> and 30<sup>th</sup> September 2016.

### Text

The Transition Document Part II C shall be amended by removing the existing paragraph 3 and replacing it with the following new paragraph 3:

#### **3 IMPLEMENTATION OF NON-EFFECTIVE DAYS TO ENABLE ANNUAL AQ REVIEW**

3.1 In order to enable the annual AQ review 24<sup>th</sup>, 25<sup>th</sup>, 26<sup>th</sup>, 27<sup>th</sup>, 28<sup>th</sup>, 29<sup>th</sup> and 30<sup>th</sup> September 2016 shall be deemed not to be Supply Point System Business Days for the purposes of:

- a. paragraph 1.6.11 of TPD Section G;
- b. paragraph 1.8.4 of TPD Section G;
- c. paragraph 1.17.8 of TPD Section G;
- d. paragraph 2.3.4 of TPD Section G;
- e. paragraph 2.4.6 of TPD Section G;
- f. paragraph 2.5.8 of TPD Section G;
- g. paragraph 2.5.11 of TPD Section G;
- h. paragraph 2.6.3 of TPD Section G;
- i. paragraph 2.7.5 of TPD Section G;
- j. paragraph 2.8.1 of TPD Section G;
- k. paragraph 2.8.3 of TPD Section G;
- l. paragraph 2.8.5 of TPD Section G;
- m. paragraph 3.1.5 of TPD Section G;
- n. paragraph 3.2.4 of TPD Section G;
- o. paragraph 3.3.1 of TPD Section G;
- p. paragraph 3.3.2 of TPD Section G;
- q. paragraph 3.5 of TPD Section G;
- r. paragraph 4.1 of TPD Section G;
- s. paragraph 5.1.5 of TPD Section G;
- t. paragraph 5.1.6 of TPD Section G;
- u. paragraph 5.1.10 of TPD Section G;

- v. paragraph 5.6.5 of TPD Section G;
- w. paragraph 3.2.3 of TPD Section M;
- x. paragraph 3.2.6 of TPD Section M;
- y. paragraph 3.2.7 of TPD Section M;
- z. paragraph 3.2.9 of TPD Section M;
- aa. paragraph 3.2.11 of TPD Section M;
- bb. paragraph 3.2.15 of TPD Section M;
- cc. paragraph 3.2.16 of TPD Section M;
- dd. paragraph 3.3.4 of TPD Section M;
- ee. paragraph 3.3.7 of TPD Section M;
- ff. paragraph 3.8.2 of TPD Section M;
- gg. paragraph 3.8.3 of TPD Section M;
- hh. paragraph 3.8.4 of TPD Section M; and
- ii. paragraph 3.8.5 of TPD Section M.

## 8 Consultation Responses

The summaries in the following table(s) are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Report.

Of the 8 representations received 6 supported implementation, 1 offered qualified support, and 1 was not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Support	f – positive	<ul style="list-style-type: none"> <li>• Supports the requirement for industry down time to allow time to complete the AQ updates and ensure the correct AQ data is calculated and provided to shippers.</li> <li>• The non-effective period was extended from four to seven days to align it with the Project Nexus non-effective period. Considering the Ofgem consultation to potentially delay Nexus, it is appropriate for this modification to return back to Workgroup for further development. Following Ofgem’s Nexus consultation decision, which is expected at the end of June, the Workgroup will be better able to align the non-effective period to a Xoserve business requirement, rather than to another project.</li> </ul>

			<ul style="list-style-type: none"> <li>• Believes this modification does not meet the self-governance criteria as it could have a material impact to customer switching dates.</li> <li>• If Project Nexus is delayed it should be considered if the non-effective days should be reduced from 4 days to 2 days.</li> </ul>
EDF Energy	Oppose	f - none	<ul style="list-style-type: none"> <li>• The parallel running of the AQ update and customer switching processes may lead to a material misallocation of energy costs.</li> <li>• This does not efficiently protect suppliers who are actively transferring customers during the relevant period from incurring inaccurate charges.</li> <li>• There is insufficient justification as to why seven days is needed, seven non-effective days is excessive.</li> <li>• Ofgem's recent consultation identifies that the current go-live date for Project Nexus is at significant risk and that there is a need for clear direction on whether Project Nexus is likely to go-live as planned on 01 October 2016. Whilst it may be appropriate to introduce non-effective days, has a preference to reduce the number of non-effective days to the absolute minimum.</li> <li>• The number of non-effective days proposed by Modification 0580S is significantly more than Modification 0535; it therefore does not repeat the approved effects of Modification 0535.</li> <li>• Believes that the proposed 7 non-effective days may challenge suppliers' ability to discharge their obligations with respect to customer switching timescales.</li> <li>• The proposed 7 non-effective days are not simply to manage to the Annual AQ review but to align with UNC Modification 0532, therefore it is difficult to determine whether it is likely to have a material impact upon competition in the shipping, transportation or supply of gas.</li> </ul>
E.ON UK	Qualified Support	f – positive	<ul style="list-style-type: none"> <li>• There is a need for certainty over the number of non-effective days with sufficient notice to ensure that transfer activity is not disrupted unnecessarily.</li> <li>• This modification is a contingency for a delayed Project Nexus go-live date, and any formal decision to delay Nexus would result in this modification needing to be withdrawn or amended to a reduced number of days, as fewer would be necessary for the AQ processes.</li> <li>• Considers the decision on non-effective days should remain with Ofgem.</li> </ul>

			<ul style="list-style-type: none"> <li>• Needs clear specification/confidence in respect of arrangements by early August to ensure sufficient time for system changes and sales conversations.</li> <li>• If Project Nexus is delayed then the four days would be reasonable.</li> </ul>
Gazprom	Support	f – positive	<ul style="list-style-type: none"> <li>• It provides certainty that the number of non-effective days required for the annual AQ process will be the same whether or not Project Nexus goes live on 01 October 2016.</li> <li>• Believes that as the modification has been subject to change, with the number of days being increased to seven, this modification should no longer be self-governance.</li> </ul>
National Grid Distribution	Support	f – positive	<ul style="list-style-type: none"> <li>• The non-effective days are required to process the large quantities of data necessary to manage the 2016 Annual AQ review in much the same way as Modification 0535, which was implemented in 2015 to facilitate the 2015 Annual AQ review.</li> <li>• Believes that the modification should not be subject to self-governance procedures because it may have a material impact on existing and new gas consumers and competition due to the required number of non-effective days.</li> <li>• Agrees with the pragmatic approach for seven non-effective days (preferable to four) as this would align with the number of non-effective dates proposed within Modification 0532 and would therefore provide certainty.</li> </ul>
RWE npower	Support	f - positive	<ul style="list-style-type: none"> <li>• The modification provides clarity to the number of non-effective days required for the AQ process regardless of the date of industry implementation of Project Nexus.</li> <li>• Believes that the modification should not be subject to self-governance procedures as it has resulted in an increase to the number of non-effective days and may have a material impact on customers and competition.</li> <li>• Seven non-effective days aligns with the number of non-effective dates proposed within Modification 0532 and therefore appears to be the best and most pragmatic solution.</li> </ul>
Scotia Gas Networks	Support	f - positive	<ul style="list-style-type: none"> <li>• It facilitates the processing and application of AQ data into the UK Link Systems following the annual review process undertaken by Xoserve, through the creation of non-effective days. Similar in nature to Modification 0535 - Implementation of Non Effective Days to enable</li> </ul>

			<p>Annual AQ Review (independent of Nexus transition), although the number of non-effective days differs between the modifications.</p> <ul style="list-style-type: none"> <li>• The non-effective days proposed coincide with Modification 0532. This would provide the industry with stability and certainty when liaising with customers regarding their contractual arrangements, thus mitigating the risk of any adverse impact to consumers, especially given that confirmations may become live during the non-effective days.</li> <li>• The modification was originally deemed to be self-governance. However, as the non-effective days have increased from four to seven, in order to reflect arrangements under Modification 0532, now considers that the modification is no longer self-governance.</li> <li>• Notes that the Workgroup concluded that seven non-effective days would be most appropriate as the consistent arrangements between Modifications 0580S and 0532 would provide the shipping community with certainty and stability when liaising with customers.</li> </ul>
Wales & West Utilities	Support	d(i) - negative f - positive	<ul style="list-style-type: none"> <li>• Observes there to be a negative effect relating to relevant objective d)(i), but believes this to be outweighed by the positive effect under f).</li> <li>• Provides the time required for the annual AQ process to take place and certainty that there will be the same number of non-effective days whether or not Project Nexus Implementation Date is 01 October 2016.</li> <li>• Believes this modification should no longer be subject to self-governance as the number of non-effective days has been increased to seven which means that this proposal no longer replicates Modification 0535 raised for the 2015 AQ Review, and seven non-effective days is likely to have a material effect on competition.</li> <li>• An increase in the number of non-effective days to seven will (perhaps counter intuitively at first sight), support competition between gas shippers by ensuring consistency in the number of non-effective days.</li> <li>• Notes that when considering this modification in isolation, increasing the number of non-effective days beyond what is required is likely to have an adverse effect on competition by unnecessarily reducing the ability of consumers to change Shipper. It is, therefore difficult to argue that implementation of more non-effective days than is necessary for the stated purpose supports relevant objective f)).</li> </ul>

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.

## 9 Panel Discussions

## 10 Recommendation

### Panel Recommendation

Having considered the Modification Report, the Panel determined:

- that proposed self-governance Modification 0580S [should/should not] be made.