

## Stage 04: Final Modification Report

At what stage is this document in the process?

# 0545S:

## Changes to GDN MOD186 Publication dates

01

Modification

02

Workgroup Report

03

Draft Modification Report

04

Final Modification Report

By moving the publication date and associated DCMF meetings, it is aimed to align the reporting timetable to when finalised data has become available. The recommended solution will be a better “fit” to the RIIO Annual Iteration timetable and also when pricing publications are completed.



Panel consideration is due on 15 October 2015




High Impact: None



Medium Impact: None



Low Impact: Transporters and Shippers

| Contents  |                        |  Any questions?   |
|---|------------------------|--|
| 1   | Summary                | 3  |
| 2   | Why Change?            | 4  |
| 3   | Solution               | 4  |
| 4   | Relevant Objectives    | 5  |
| 5   | Implementation         | 6  |
| 6   | Impacts                | 6  |
| 7   | Legal Text             | 6  |
| 8   | Consultation Responses | 7  |
| 9   | Panel Discussions      | 8  |
| 10  | Recommendation         | 8  |
| About this document:  |                        |  0121 288 2107  |
| This Final Modification Report will be presented to the Panel on 15 October 2015. The Panel will consider the views presented and decide whether or not this self-governance change should be made. |                        | Proposer:<br>Jon Trapps  |
| The Workgroup recommends the following timetable:   |                        |  email address:<br><a href="mailto:jtrapps@northerngas.co.uk">jtrapps@northerngas.co.uk</a> |
| Initial consideration by Workgroup  |                        | 28 July 2015   |
| Workgroup Report presented to Panel   |                        | 04 September 2015  |
| Draft Modification Report issued for Consultation   |                        | 17 September 2015  |
| Consultation Close-out for representations  |                        | 08 October 2015  |
| Final Modification Report presented to Panel  |                        | 09 October 2015  |
| UNC Modification Panel decision   |                        | 15 October 2015  |
|   |                        |  0113 397 5354  |
|   |                        | Transporter:<br>Northern Gas Networks  |
|   |                        | Systems Provider:<br>Xoserve   |
|   |                        |  <a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>     |

# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that this modification should follow Self Governance procedures as it is mainly of an administrative nature as it is only realigning reporting dates, therefore it is unlikely to have a material effect on gas consumers, competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes or the uniform network code governance procedures or the network code modification procedures.

The Workgroup agreed with the Modification Panel's view on Self-Governance as this modification is mainly administrative in nature.

## Why Change?

The current publication dates for the quarterly MOD186 pricing statements are misaligned with when final information is available, resulting in the need to explain variances between publications.

By changing the publication dates (and associated Transporter/Shipper meeting dates) it would result in fewer assumptions having to be made, resulting in less time needed explaining variations between assumed and actual costs.

## Solution

It is proposed to change the reporting dates in the UNC to allow:

1. Gas Distribution Networks (GDN) continue to report to the existing quarterly definitions outlined in the UNC.
2. Change the wording of section TPD V5.13.1(g) to the following: *(changes in red text insert the word "by" and remove "of the second calendar month")*  
  
"Required Date" shall mean by the 10<sup>th</sup> Business Day of the ~~of the second calendar month~~ following the end of the Quarter for which the information prescribed in Annex V4 is being provided.

## Relevant Objectives

It is felt this modification would better achieve relevant objective f) in the UNC of "Efficiency in administration of the network code". By changing the publication and meeting dates it will be possible to include finalised values instead of forecast values, which provides certainty.

## Implementation

No implementation timescales are proposed, however if this modification were approved publication and meeting dates would need to be realigned to the new timetable. This would need to be discussed with shippers at the DCMF for approval.

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

No impacts identified.

## 2 Why Change?

The current publication dates for the quarterly MOD186 pricing statements are misaligned with when final information is available, resulting in the need to explain variances between publications. Examples of this are:

- MODt adjustment, published by Ofgem in November annually, after the MOD186 publication in October.
- Latest Inflation and Interest forecasts, published by HM Treasury in November annually, also after the MOD186 October statement.
- Final pricing statements published at the end of January annually - after the January MOD186 publication.

By changing the publication dates (and associated GDN/Shipper meeting dates) it would result in fewer assumptions having to be made, resulting in less time needed explaining variations between assumed and actual costs.

## 3 Solution

It is proposed to change the reporting dates in the UNC to allow:

1. GDNs continue to report to the existing quarterly definitions outlined in the UNC.
2. Change the wording of section TPD V 5.13.1(g) to the following: *(changes in red text - insert the word "by" and remove "of the second calendar month")*

"Required Date" shall mean by the 10<sup>th</sup> Business Day ~~of the second calendar month~~ following the end of the Quarter for which the information prescribed in Annex V4 is being provided.

A summary of the proposed timetable is shown below:

| Proposed Solution   |  |   |
|---|--|---|
| Existing UNC Quarter Definition   | GDN Mod186 Publication Date                | DCMF GDN/Shipper meeting date                     |
| Ending November   | 10 <sup>th</sup> business day of December  | Most likely 1 <sup>st</sup> full week of new year |
| <i>(changing to this publication date ensures the finalised "MOD" value is included calculated by Ofgem by end of November)</i>   |  |   |
| Ending February   | 10 <sup>th</sup> business day of March     | Last week of March                                |
| <i>(changing to this publication date ensures the final prices for the following regulatory year are included as published on the 31<sup>st</sup> January each year)</i>  |  |   |
| Ending May  | 10 <sup>th</sup> business day of June      | Last week of June                                 |
| Ending August   | 10 <sup>th</sup> business day of September | Last week of September                            |
| <i>Note : If shippers require any information between the revised September and December quarterly mod186 updates above this could be taken from the 150 day indicative price change statements issued on the 31<sup>st</sup> October each year</i> |  |   |

| 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: <ul style="list-style-type: none"> <li>(i) between relevant shippers;</li> <li>(ii) between relevant suppliers; and/or</li> <li>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.</li> </ul> | 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.  | 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              |

It is felt this modification would better achieve relevant objective f) "Efficiency in administration of the network code". By changing the publication and meeting dates it will be possible to include finalised values instead of forecast values and therefore remove any doubt about potential amendments when the final reports are published.

Panel members also considered that having more certainty of transporter revenues would improve the ability of shippers to price their consumer contracts accurately, which would be likely to further objective d) Securing of effective competition between relevant shippers.

## 5 Implementation

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.

If this modification is approved, publication and meeting dates would need to be realigned to the new timetable and this would need to be discussed with shippers at the DCMF for approval.

## 6 Impacts

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

No impacts identified.

## 7 Legal Text

### Text Commentary

The current wording in the UNC says the “second” calendar month – the solution recommended above wants to replace this with the “next” calendar month. Also introduce the words “no later than” so it is clear that the report deadline is the 10<sup>th</sup> working day but can be published earlier if the user wishes to do so.

This means that the mod186 report will be published no later than the 10<sup>th</sup> business day following the end of the quarter, or earlier if the GDN wishes to do so.

### Text

The following Text has been prepared by Northern Gas Networks, and no issues were raised by the Workgroup regarding its content.

TPD section V5.13.1(g) should be amended to the following: (changes in red text – insert the word “by” and remove “of the second calendar month”)

“**Required Date**” shall mean by the 10<sup>th</sup> Business Day ~~of the second calendar month~~ following the end of the Quarter for which the information prescribed in Annex V4 is being provided.

## 8 Consultation Responses

Of the 4 representations received implementation was unanimously supported.

Representations were received from the following parties:

| Organisation               | Response | Relevant Objectives | Key Points  |
|----------------------------|----------|---------------------|---|
| National Grid Distribution | Support  | f - positive        | <ul style="list-style-type: none"> <li>Principal updates are the final determination of the Annual Iteration Process via Ofgem and publication of HM Treasury inflation forecasts, which generally occur after the October MOD186 report meaning shippers don't see the impact until January.</li> <li>The change to publication timetable proposed by this modification would mean that important updates are presented to Shippers at the earliest opportunity.</li> </ul>  |
| Northern Gas Networks      | Support  | f - positive        | <ul style="list-style-type: none"> <li>Changing the timing of the quarterly updates would result in better alignment to key RIIO processes (Ofgem Annual Iteration Process) and other areas such as the RPI treasury forecast publication dates and enable more accurate information to be provided rather than forecasting.</li> <li>Improving the efficiency of the process would be of benefit to both GDNs and gas shippers alike.</li> <li>Provision of more certain information within the report by amending the timing would allow a shipper to better utilise it, which could in turn improve competition between shippers.</li> </ul> |
| RWE npower                 | Support  | f - positive        | <ul style="list-style-type: none"> <li>Changing the publication dates (and associated Transporter/Shipper meeting dates) would result in fewer assumptions having to be made, resulting in less time needed explaining variations between assumed and actual costs.</li> </ul>  |
| Wales & West Utilities     | Support  | f - positive        | <ul style="list-style-type: none"> <li>Changing the publication dates (and associated GDN/Shipper meeting dates) would result in fewer assumptions having to be made.</li> <li>Less time would be needed to explain variations between assumed and actual figures at the DCMF and in the MOD186 report.</li> <li>There would be a reduction in movements between subsequent publications.</li> <li>There would be increased consistency where each GDN may use different assumptions to forecast unknown variables.</li> </ul>  |

Representations are published alongside the Final Modification Report.

## 9 Panel Discussions

## 10 Recommendation

### Panel Recommendation

Having considered the Modification Report, the Panel determined:

- that proposed self-governance Modification 0545S [should/should not] be made.