













UNC Workgroup Report	At what stage is this document in the process?
<h1>UNC 0609:</h1> <h2>Transitional arrangements for gas settlement and replacement of Meter Readings (Project Nexus transitional modification)</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #008000; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="background-color: #008000; color: white; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid #800080; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #FF8C00; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>This modification identifies arrangements relating to Supply Point classification, energy settlement & reconciliation and replacement of Meter Readings to enable an orderly and efficient transition from current UNC terms to the UNC regime identified within UNC Modification 0432, 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform' and Modification 0434, 'Project Nexus – Retrospective Adjustment'.</p>	
	<p>The Workgroup recommends that this modification should:</p> <ul style="list-style-type: none"> not be subject to self-governance procedures proceed to Consultation <p>The Panel will consider this Workgroup Report on 16 March 2017. The Panel will consider the recommendations and determine the appropriate next steps.</p>
	<p>High Impact:</p> <p>Large Transporters and Shipper Users</p>
	<p>Medium Impact:</p> <p>None</p>
	<p>Low Impact:</p> <p>None</p>

Contents		 Any questions?
1	Summary	2
2	Governance	2
3	Why Change?	3
4	Code Specific Matters	4
5	Solution	4
6	Impacts & Other Considerations	4
7	Relevant Objectives	8
8	Implementation	8
9	Legal Text	9
10	Recommendations	9
Timetable		
Modification timetable:		
Initial consideration by Workgroup	03 February 2017	
Amended Modifications considered by Workgroup	10 March 2017	
Workgroup Report presented to Panel	16 March 2017	
Draft Modification Report issued for consultation	16 March 2017	
Consultation Close-out for representations	06 April 2017	
Final Modification Report available for Panel	10 April 2017	
Modification Panel decision	20 April 2017	
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1 Summary

What

The prevailing UNC transition provisions for Project Nexus are based on a PNID of 01 October 2016.

These modifications are required to address the impacts of the new PNID of 01 June 2017 and to clarify

the transitional rules regarding the treatment of AQ and rules relating to 'Unidentified Gas – Allocation Factors'.

This modification is also required to ensure that transitional terms exist for replacement of meter readings (as introduced under UNC Modifications 0432 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform' and 0434, 'Project Nexus – Retrospective Adjustment').

Why

This modification is necessary to ensure that the Code is accurate with respect to PNID and to ensure that the rules for replacement of meter readings are clear to all parties.

How

It is necessary to amend the terms identified within the UNC governing arrangements for implementation of Project Nexus. This is to reflect the PNID of 1st June 2017.

The UNC Transition Document is proposed to be updated to provide rules to enable implementation of replacement of Meter Readings.

2 Governance

Justification for Urgency, Authority Direction or Self-Governance

The Modification Panel determined that this Modification is not suitable for self-governance as, if implemented, it could have a material effect on relevant commercial activities as set out in the Uniform Network Code (UNC). This is because the changes are either associated with the realignment of terms already implemented or include clarification of treatment of relevant activities in the transitional period leading to Project Nexus implementation.

Requested Next Steps

This modification should:

- issued to consultation

The Workgroup agreed with the Modification Panels view that this modification is not suitable for self-governances for the reasons provided above. The Workgroup agrees that this modification is sufficiently developed to be issued to consultation.

3 Why Change?

UNC Modification 0528V 'Implementation of Supply Point Administration, gas allocation and settlement arrangements (Project Nexus transitional modification) was approved by Ofgem with an implementation date of 11 February 2016. It identified arrangements relating to Supply Point classification, energy settlement & reconciliation and other 'core' provisions to enable an orderly and efficient transition from current UNC arrangements to the UNC regime identified within UNC Modification 0432 - Project Nexus –

Gas Demand Estimation, Allocation, Settlement and Reconciliation reform. The relevant business rules which informed the drafting of 0528V were documented within baseline Version 2.0 of the Transition Business Rules document produced by the Transporter Agency Xoserve; the Business Rules were predicated on a PNID of 1 October 2016.

As PNID has been deferred from 1 October 2016 to 1 June 2017, an updated Transition Rules document has been created and as a consequence the transition arrangements require updating within the UNC.

Additional changes are also required to take account of the PNID now occurring mid-year which has a consequential impact on UNC processes including the treatment of Annual Quantities (AQs) and to include those elements of UNC Modification 0529 (Implementation of Retrospective Adjustment arrangements (Project Nexus transitional modification)) relating to replacement of Meter Readings only. UNC Modification 0529 was not implemented as the Retrospective Adjustment of Address and Supply Point (RAASP) elements of Modification 0434 'Project Nexus – Retrospective Adjustment' now have a different implementation date presently (01 October 2017) to the 'core' Nexus elements (01 June 2017).

4 Code Specific Matters

Reference Documents

Transition Business Rules (BR) for Project Nexus' v3

Knowledge/Skills

Specific Project Nexus knowledge and involvement in development of the regime would be useful.

5 Solution

Modification of the UNC is required as follows:

- Realigning relevant dates originally identified within Modification 0528 to reflect the new PNID
- Clarification of the rules relating to 'Unidentified Gas – Allocation Factors' as documented in UNC Modification 0473 (Project Nexus – Allocation of Unidentified Gas) to be implemented at PNID
 - Table of interim Allocation Factors
- Transitional changes to the Ratchet Process
 - Where the quantity of gas offtaken between 27th May 2017 and 31st May 2017 inclusive exceeds the Registered DM Supply Point Capacity
 - The enduring Supply Point Capacity will not be increased
 - A Supply Point Ratchet Charge will not be applied
- Transitional rule concerning Supply Point Withdrawals that have yet to be effective which shall need to be resubmitted following Project Nexus Implementation Date.
- Clarification of the transitional rules regarding treatment of AQ
 - Reflecting that a 'full' AQ 'review process' will not be taking place
 - Clarification of 'Appeal' dates
 - Clarification of Formula Year Annual Quantity

Additional changes are required to incorporate Modification 0565 (Central Data Service Provider: General framework and obligations) implications

- The inclusion of the CDSP as a consequence of the Funding, Governance and Ownership (FGO) review of Xoserve changes

Replacement of Meter Reading only:

- A Shipper User is able to replace a Meter Reading in accordance with the terms under UNC Modification 0434 (Project Nexus – Retrospective Adjustment) for an adjustment period prior to the PNID
- Where appropriate the relevant invoice adjustment would be processed as follows:
 - For Larger Supply Points (LSPs) subject to validation of the request there would be a financial adjustment.
 - For Smaller Supply Points (SSPs) there would be no financial adjustment made with respect of any period prior to the Project Nexus Implementation Date
- No invoice adjustments will be processed for any period prior to the Code Cut Off Date

6 Impacts & Other Considerations

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

Implementation of this modification is essential for the implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus').

Pre Project Nexus Implementation

Implementation of this modification will affect the UK Link Replacement programme prior to implementation. This is because it is necessary to determine for the purposes how relevant data (including AQ, Meter Readings, etc) concerned with energy allocation, settlement and reconciliation is to be processed.

Project Nexus Implementation

This modification contains transitional terms required to enable an orderly and efficient transition from current UNC terms to the UNC regime identified within UNC Modification 0432, 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform' and Modification 0434, 'Project Nexus – Retrospective Adjustment'.

Post Project Nexus Implementation

This modification contains transitional terms and the obligations, which will expire over time.

Consumer Impacts

Consumer Impact Assessment

Criteria	Extent of Impact
Which Consumer groups are affected?	None identified.
What costs or benefits will pass through to them?	No costs or benefits identified.
When will these costs/benefits impact upon consumers?	Not applicable
Are there any other Consumer Impacts?	No direct consumer impacts were identified should this modification be implemented. However, some participants believed that there might be indirect consumer impacts because of this modification should Project Nexus implementation be delayed.

Cross Code Impacts

Non identified.

EU Code Impacts

Non identified.

Central Systems Impacts

Implementation of this Modification is required to support implementation of the UK Link Replacement programme (which incorporates the changes required for Project Nexus), to ensure a smooth transition from existing settlement arrangements to those being implemented under Project Nexus.

Workgroup Impact Assessment

It was noted that this modification provides transitional arrangements to support the implementation of UK Link replacement systems for 01 June 2017. Therefore, should there be a delay to PNID, this modification would need to be amended or if already implemented, transition arrangements put in place to amend the effect to the new PNID. This modification does not anticipate a delay to the PNID and as consequence provides no proposals to manage process changes between the 01 June 2017 and an amended PNID.

Some participants were concerned that this modification removes the AQ review process from Code which then results in a material risk that should the implementation of Project Nexus be delayed; gas allocations could be significantly compromised. If this risk materialises this could have a material impact on consumers and market participants due to AQ misallocations based on the previous year's AQs.

The risk was based on information from the 2015 AQ review, where submitted meter reads for approximately 250,000 meter points were given proposed AQs with a consolidated value of 350TWh (approximately £7b (SAP-2p per kWh). Some challenged this value as there are other AQ related processes which can be used to reduce this risk. It should be noted that market breaker tolerances included in the Nexus Transitional AQ Validation Rules may help to mitigate some of this risk.

It was argued, by removing the AQ review process, any delay to Project Nexus could result in a significant risk that AQs would be overstated on a significant number of meter points, which would require the impacted Shippers to buy unnecessary volumes of gas, potentially creating cash flow problems and that they would be required to establish higher levels of security than they would usually need.

Other participants consider this risk to be overstated as there is more certainty on Project Nexus implementation. In addition, Shippers could manage the submission of meter readings to ensure correct AQs are established.

Some participants noted that during the final Distribution Workgroup meeting, Xoserve highlighted a risk that the alternate Modification 0609A was unworkable and could impact the June Nexus delivery date. It is likely that Xoserve must stop all AQ Amendment activity by 20 March 17. This includes issuing the T04 file, which if issued would amend AQs in the old and new systems and this now adds an uncontrolled risk across the Shipper community of inflated AQs.

Following the withdrawal of Modification 0609A, it was agreed that Xoserve would provide a paper explaining the AQ Amendment process issues for presentation to the Project Nexus Steering Group and that the paper should be published alongside this report.

In addition, should Nexus be delayed past 01 June 17, it is expected that Xoserve, under some reasonable endeavours basis, should reopen the AQ Appeals process to help manage AQ manifest errors.

User Pays <i>(Workgroup assessment of proposer initial view or subsequent information)</i>	
Classification of the modification as User Pays, or not, and the justification for such classification.	Costs arising from the UK Link replacement and including enhancements to the existing UNC regime have been considered when price controls were set and funding provided. On this basis, no User Pays service would be created or amended by implementation of this modification 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.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

7 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 (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Impacted
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.	Impacted
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 provides clear rules and guidance to Transporters and Shipper Users on the treatment of data existing and provided under the UNC before and during implementation of UK-Link Replacement (including Project Nexus). The measures identified can be expected to facilitate relevant objective f) 'Promotion of efficiency in the implementation and administration of the Code.

The consequences of failure to implement this modification is that there would be a detrimental effect on competition through inaccurate cost targeting on Shipper Users, which in turn would have an adverse financial effect on consumers. This modification therefore also facilitates relevant objective d) Securing of effective competition between Shipper Users.

Some participants were concerned that this modification removes the AQ review process from Code should the implementation of Project Nexus be delayed and in such circumstances, it was argued that this would create a material allocation risk which could increase costs for some Shippers. This would potentially have a material impact on competition between Shippers and Suppliers, therefore having a negative impact on Relevant Objective d) Securing of effective competition between Shipper Users.

Some participants were concerned that this modification is proposing to remove rules from Code that would not be effective after Project Nexus implementation, therefore this is an unnecessary administrative burden and would have a negative impact on Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code.

8 Implementation

No implementation timescales are proposed. However, these modifications could be implemented immediately upon direction.

9 Legal Text

Legal Text and Legal Text Commentary has been provided by National Grid Gas Distribution and is published alongside this report. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This modification should proceed to consultation.