

UNC Final Modification Report	At what stage is this document in the process?
<h1>UNC 0721 (Urgent):</h1> <h2>Shipper submitted AQ Corrections during COVID-19</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; width: 100%;">01 Modification</div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; width: 100%;">02 Workgroup Report</div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; width: 100%;">03 Draft Modification Report</div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; width: 100%; background-color: #f4a460;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>To authorise the Central Data Services Provider (CDSP) to accept requests from Shippers who submit Annual Quantity (AQ) corrections to amend the AQ in response to the changing consumption of the End User as a result of the COVID-19 crisis, by including this as a reason to do so.</p>	
	<p>The Panel recommends implementation</p>
	<p>High Impact: Shippers, End Users</p>
	<p>Medium Impact: CDSP</p>
	<p>Low Impact: Suppliers</p>

Contents		 Any questions?
1	Summary	3
2	Governance	4
3	Why Change?	4
4	Code Specific Matters	5
5	Solution	5
6	Impacts & Other Considerations	5
7	Relevant Objectives	7
8	Implementation	7
9	Legal Text	7
10	Consultation	8
11	Panel Discussions	29
12	Recommendations	31
Timeline		
Modification timetable:		
Modification sent to Ofgem	21 April 2020	
Ofgem Decision on Urgency	22 April 2020	
Consultation Commences (<i>3 Business Days</i>)	22 April 2020	
Consultation Close-out for representations	27 April 2020	
Final Modification Report available for Panel	28 April 2020	
Modification Panel recommendation	30 April 2020	
Ofgem Decision	01 May 2020	
		 Any questions? Contact: Joint Office of Gas Transporters
		 enquiries@gasgovernance.co.uk
		 0121 288 2107
		Proposer: Steve Mulinganie
		 steve.mulinganie@gazprom-eberg.com
		 0799 0972568
		Transporter: Northern Gas Networks
		 trsaunders@northern-gas.co.uk
		 07580 215743
		Systems Provider: Xoserve
		 UKLink@xoserve.com
		Other: Gareth Evans (WWA)
		 gareth@waterswye.co.uk
		 01473 822503

1 Summary

What

Currently within the UNC Users are able to submit Annual Quantity (AQ) Corrections for premises where they consider that the AQ does not reflect the expected seasonally adjusted consumption of gas over the subsequent 12 months.

The UNC sets out the eligible reasons for AQ Correction. These being:

- The confirmed theft of gas (UNC TPD G1.6.21(a))
- The installation, replacement or removal of Consumer's Plant which results in a material change in the basis on which gas is consumed (UNC TPD G1.6.21(b))
- The commencement of a new business activity or discontinuance of an existing business activity at the consumer's premises (UNC TPD G1.6.21(c)).

A User may also submit an AQ Correction where the User submits a Meter Reading which is rejected because it falls outside the wider tolerance band, but for which the User is satisfied that the Meter Reading is valid (and would not fail validation if the Annual Quantity were so changed).

The COVID-19 Pandemic has led to businesses varying their activity or patterns of activity, for example:

- Discontinuing activity (i.e. not being classed as essential, therefore being subject to Lockdown);
- Establishing others (e.g. repurposing factories to make essential equipment (e.g. ventilators)); or,
- Increasing existing activity having been classed as essential or meeting shortages (e.g. toilet roll factories).

The current criteria for AQ corrections do not cater for changes in consumption for the above reasons, meaning that many sites have AQs that are unrepresentative of the actual consumption, with no mechanism in place to amend the AQ quickly.

Why

Accurate AQs are fundamental to determining the estimated daily consumption of an NDM site. Inaccurate AQs results in inaccurate demand forecasts for individual sites, and hence inaccurate demand allocations for Shippers. This results in high levels of negative UIG to correct for the fundamental mismatch between the derived and actual consumptions for sites, as well as significant costs for Shippers as they are initially required to procure much higher levels of gas than is required. This situation will continue for many sites for a considerable period of time until site consumptions are corrected through the AQ calculation process which will only amend incrementally over time where Meter Readings are available. In many cases as these sites are not accessible and the allocated energy will not be reconciled until after the COVID-19 crisis.

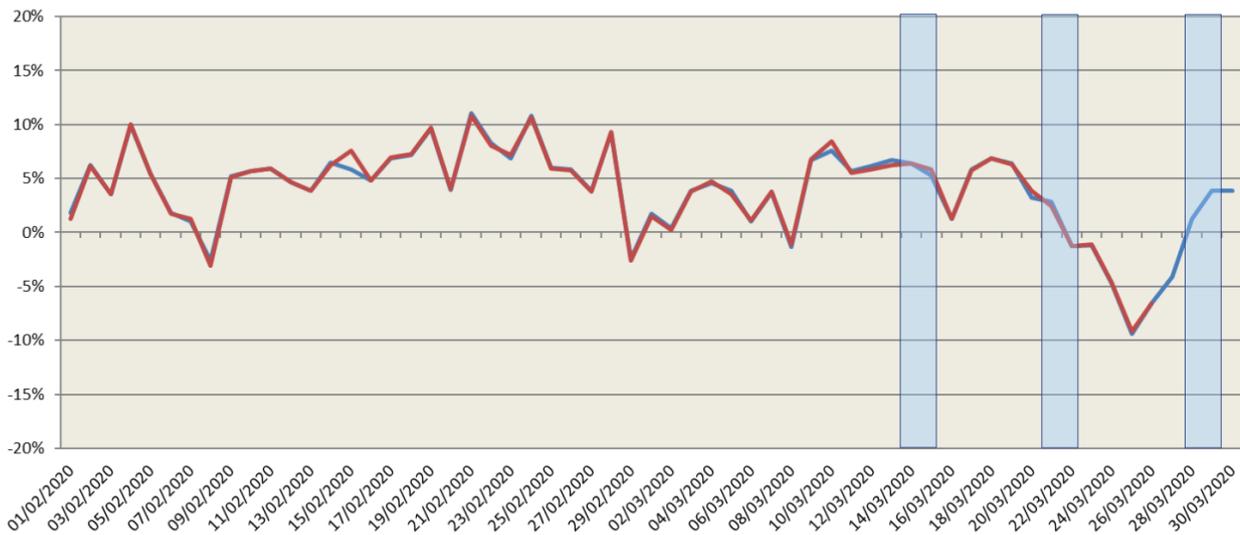
How

This Modification proposes to create a new category of "eligible cause" for the purposes of UNC TPD G.1.6.21, namely that Shippers can request a change in the AQ where the site's consumption has varied unexpectedly due to the impact of "coronavirus" (as defined in the Coronavirus Act 2020). This will only apply to EUC Codes 2 through 9 that have not been Isolated. EUC Code 1 is not included to reduce the volume of transactions to make the process manageable for the CDSP.

2 Governance

Justification for Urgency

This Modification recognises that there will be changes in gas consumers' usage as a result of the COVID-19 crisis. Non-domestic Suppliers are reporting reductions of around 20% in total portfolio demand, with some sectors such as retail and hospitality reporting reductions of up to 80%. This means that AQ for many sites in EUC bands 2-9 is significantly overstated, as it is demonstrated by the recent levels of UIG since the commencement of the COVID-19 crisis:



Source: Xoserve

The current AQ Correction timetable for any changes that have an effective date of 1 June requires that AQ corrections are submitted by require submission by 7 May (M-15). An urgent timetable is needed to ensure that this deadline is achieved.

Requested Next Steps

This Modification should:

- Be treated as urgent and should proceed as such under a timetable agreed with the Authority.

3 Why Change?

Since the COVID-19 Lockdown has been enforced there have been unexpected impacts on gas usage at individual sites, including actual usage deviating significantly from the AQ. Shippers therefore require a mechanism to mitigate this issue to avoid incorrect allocations and the subsequent impacts on UIG. A change to the Code is required as the circumstances currently stipulated under Code for altering the AQ of a Meter Supply Point are too limiting for these exceptional circumstances.

Without implementation, during the COVID-19 crisis, the AQ will become unrepresentative of the gas consumed at many non-domestic sites. For non-daily metered (NDM) sites, the AQ is used as a basis for

allocations which will mean that the allocations will not reflect actual consumption, leading to large volumes of UIG that have already been observed.

When usage returns to normal levels, we can also expect the AQ taking some time to align with expected consumptions using normal industry processes and so some provision to allow sites to amend AQ after the lockdown period would also seem reasonable.

4 Code Specific Matters

Reference Documents

None

Knowledge/Skills

None

5 Solution

This Modification proposes to extend the eligible causes in order that the Users are able to correctly reflect the impact of the COVID-19 ockdown Period(s) AND to allow the User to reverse this following the lifting of Lockdown.

This Modification proposes to create a new category of “eligible cause” for the purposes of UNC TPD G.1.6.21, namely that Shippers can request a change in the AQ as the site's consumption has varied unexpectedly due to the impact of “coronavirus” (as defined in the Coronavirus Act 2020). This will only apply to EUC Codes 2 through 9 that have not been Isolated. EUC Code 1 and Isolated sites are not included to make the process manageable for the CDSP.

6 Impacts & Other Considerations

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

N/A

Consumer Impacts

The COVID-19 crisis has meant that many non-domestic sites have ceased using gas. Without implementation of this Modification, AQs for those sites will not show a true depiction of normal usage, negatively impacting Allocations, UIG and indirectly consumer bills. Implementation of this Modification addresses those issues.

Cross Code Impacts

None.

EU Code Impacts

None.

Central Systems Impacts

This Modification does not require changes to existing systems or processes as it utilises and repurposes an existing record and file type. Consequently, the proposal may be implemented without modifying central systems. Through discussions with Xoserve the following high-level system solution is proposed.

System / Process Solution Notes:

- *The eligible causes typically correlate directly with the REQUEST_REASON in the RT_C41_AQ_CORRECTION record. Due to simplification of the solution within UK Link systems – to avoid additional validation - and because Users are known to be able to submit such AQ Corrections it is proposed that Users should use REASON CODE 2.*

REQUEST_REASON	M	N	2	0	1 - Confirmed Theft of Gas, 2 – Change in Consumers Plant, 3 – Commencement of a new business activity, 4 – Tolerance change, 5 – Winter Consumption
----------------	---	---	---	---	--

- *Where populating the AQ Correction (C41 Record) with REQUEST_REASON 2 the SUPPORTING_INFORMATION is mandatory. This field is normally provided by the User in order to justify the change in consumer plant.*
- *The conditionality will not be amended following implementation of this Modification; therefore, we would expect that this is populated as ‘COVID19’. Should Users wish to provide additional justification they may do so.*

SUPPORTING_INFORMATION	O	T	254	0	Mandatory where REQUEST_REASON is 2
------------------------	---	---	-----	---	-------------------------------------

- *Assessment what, if any, additional notification would be required from Users to assist in differentiating Supply Meter Points that meet the criteria of this Modification from other AQ Corrections in order to enable Users and the CDSP to monitor and effect necessary revision following Lockdown.*
- *This Modification also seeks to propose rules that limit the take up of the AQ Correction process. AQ Corrections are considered exception activities, and typically the number of AQ Corrections applied each month do not exceed correction to 3,000 Supply Meter Points.*

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.	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

Shippers have obligations under license to ensure that its offtakes of gas from a transporter's pipe-line system and its deliveries of gas are equal. This Modification will improve energy allocation, so reducing costs in the market and hence furthering competition.

8 Implementation

As urgency status is being requested, implementation could be as soon as Authority approval is given.

9 Legal Text

Legal Text has been provided by Northern Gas Networks and is published alongside this report.

Text Commentary

Legal text has been published alongside this Modification.

Text

Legal text has been published alongside this Modification.

10 Consultation

Ofgem invited representations from interested parties on 22 April 2020. The summaries in the following table 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 published alongside this Final Modification Report.

Of the 21 representations received 10 supported implementation, 2 offered qualified support, 3 provided comments and 6 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Oppose	d - negative	<ul style="list-style-type: none"> • British Gas opposes the implementation of this Modification until an effective control framework is established. • Without a control framework in place there is potential for excessive and inaccurate AQ corrections, which would cause further harm to other parts of the market through higher volumes of unidentified gas. This is a particular risk for residential customers, where the impact of additional unidentified gas is amplified by AUG weighting factors. • British Gas refers to the Major Energy Users Council representation dated 24 April 2020 which emphasises the urgent need to reduce capacity costs for sites that have reduced consumption, however this aspect is not discussed at all in the Modification itself. The Modification instead is focussing on “a mechanism to mitigate this issue to avoid incorrect allocations and the subsequent impacts on UIG”. Capacity charges are an entirely separate consideration, requiring separate consultation, and are likely to be better addressed by a different solution. • The exclusion of EUC 1 supply points in the solution, although based on pragmatic concerns related to the processing capacity for corrections, is a fundamentally unfair approach as it disadvantages an entire section of the market and thus has a negative impact on competition. • However, should the Modification be implemented, British Gas expects the Performance Assurance Committee (PAC) to monitor the usage of AQ

			<p>corrections after the fact. To facilitate this, reporting on Shipper activity regarding this Modification needs to be provided to the PAC on a regular basis (weekly as a minimum) as close to real-time as possible. This should also be published on an aggregated basis. This may require Shippers to provide reports on activity.</p> <ul style="list-style-type: none"> • To protect the integrity of gas settlements an independent body should be made accountable for reviewing and approving any plans Shippers have for the usage of AQ corrections during the COVID-19 lockdown period, and for ensuring the orderly unwinding of these measures at the end of this period. Shippers should provide supporting evidence to reasonably assure the reliability of their AQ corrections. • If any evidence is found that settlements' accuracy is being compromised a process to review and correct, with a similar level of urgency these Modifications are following, will be required.
Cadent	Oppose	a - negative d - negative f - negative	<ul style="list-style-type: none"> • Cadent recognises the serious impact that COVID-19 is having on the Energy Industry and its customers and supports the need for all parties, Shippers, Suppliers, Transporters, Regulators and Government to collaborate effectively to mitigate the most serious effects. • Due to the very limited discussion on this proposal, many areas have not been fully assessed or analysed. Cadent therefore have serious concerns that this proposal will lead to unintended and, as yet, unquantified consequences in relation to transportation charges and distributional effects on gas Shippers with different customer portfolios. • Notes the Modification proposal does not refer to any implications for Transportation Charges and the consequential impact this may have on industry parties. It is therefore unclear whether the intent is to complement Modification 0723 (Urgent) - Use of the Isolation Flag to identify sites with abnormal load reduction during COVID-19 period, in addressing energy allocation and UIG issues or whether there are wider implications arising in relation to transportation. If the latter is intended then further dialogue and analysis is required to understand what this may mean for Transporters and Shippers and any implications this may have for competition in the market.

			<ul style="list-style-type: none"> • Understands the Formula Year AQ (FYAQ) was devised as a methodology to ensure that a stable AQ could be utilised by Transporters when setting Transportation Charges to ensure that charges to Shipper Users were known ahead of the charging year. • Believes that one impact of this Modification would be the amendment of each Supply Point FYAQ where the Shipper has amended the AQ. Therefore, if AQs were reduced significantly there could be a fall in transportation revenues that may trigger the need for a mid-year price review with distributional, as well as charging volatility impacts, across the Shipper community. Cadent expresses the concern that they have not seen any analysis to gauge the impact of this on either Transporters or the consequential impacts on Shippers and are concerned that, if implemented, this Modification may simply transfer risk to other Code parties with different portfolios, which cannot be in the best interests of the industry as a whole or, ultimately, customers. • Does not think the Modification is clear in relation to the qualification criteria for being able to change AQ for reasons associated with COVID-19, although notes the legal text refers briefly to providing “reasonable evidence” to demonstrate the impact of COVID-19 on gas consumption. • Feels it is not clear whether provision of this “reasonable evidence” is a pre-requisite ahead of the AQ being amended and/or what the process of validation is (or indeed who should carry out such validation) or whether this evidence can follow any AQ amendments. This could be particularly important if there is large uptake of the Modification. • Suggests that, to ensure the process is managed effectively, and to avoid distorting competition, there would be a need for clear evidence of a COVID-19 related reason before any AQ reduction could be processed, and clarification on the position if any change in gas consumption was due to multiple factors, one of which was COVID-19. This is not currently a requirement of the Modification. • Does not feel that, following the COVID-19 period, where Shippers should be able to amend the AQ back to a more representative consumption, this has been explicitly included within the Solution section and is not included within the Legal Text. Therefore, there is no
--	--	--	--

			<p>incentive on Shippers to address this in a timely manner, which could lead to misallocations and UIG issues. Cadent believe there needs to be greater clarity on how Industry will manage and monitor this post COVID-19 period.</p> <ul style="list-style-type: none"> • Feels there are too many unanswered questions and concerns on unintended consequences of this Modification for Cadent to provide support at present. • Implementation of the Modification could be immediately following approval by the Authority. • Cadent are concerned that, as drafted, the legal text is not clear that the period of time in which the Modification would apply, is limited and has concerns that arrangements under Modification 0721 (Urgent) could apply for an extended period of time. • For instance, in section 1.1(b) (i) (2) there are references to declarations made under Schedule 22 of the Coronavirus Act 2020. Under Schedule 22, separate declarations can be made in relation to prohibiting or restricting events and closing premises (or imposing restrictions on premises). Which is the relevant declaration here? What is the position if a declaration is lifted in relation gatherings but not closing premises or vice versa; • It is also unclear whether it is actually the Coronavirus Act 2020 which this Modification should be predicated on and not the Health Protection Act 1984 or potentially both given that Scotland, Wales, and England may have enacted legislation individually? • Whilst of minor importance, it is also unclear what would occur should separate restrictions be lifted at different times within the same LDZ as the legal text refers to the LDZ in its entirety. • Cadent believes the legal text requires clarification, and possibly amendment, before this Modification can be implemented. • Believes that Relevant Objectives a) efficient and economic operation of the pipeline system, d) Securing of effective competition and f) Promotion of efficiency in the implementation and administration of the Code are likely to be impacted negatively due to the currently unknown impacts or potential scale of this Modification on AOs and knock-on impacts on FYAOs and subsequently Transportation charges.
--	--	--	---

<p>Drax</p>	<p>Qualified Support</p>	<p>d - positive</p>	<ul style="list-style-type: none"> • Drax offer qualified support for this Modification, on the basis that they support the intent of the proposed Modification but believe it should apply equally to all non-domestic consumers and not just EUC code 2-9 meters. This may require an additional urgent Modification to extend relief to non-domestic EUC code 1 meters. • Believe that the intent of the Modification is to improve the accuracy and quality of the information in central systems that will enable Shippers and others to manage the impact of demand fluctuations caused by the COVID-19 pandemic in a practical and proportionate manner. In doing so Drax agree that this measure should benefit customers by maintaining effective competition in the non-domestic market in accordance with relevant objective (d) and ensure that charges to customers proportionately reflect the impact of measures taken to comply with COVID-19 measures. • Implementation could be swift including with the provisions being extended to non-domestic EUC code 1. This was not included in this Modification as there is a perceived risk that the CDSP would not be able to manage larger volumes of change. Drax believe this risk could and should be managed by the CDSP and they would support Ofgem directing that the provisions of the Modification should apply to all EUC codes, albeit recognising that may require an additional UNC Modification. The risk otherwise is that smaller non-domestic consumers may be disproportionately allocated UIG charges compared to larger non-domestic consumers, as Shippers will not be able to appropriately reflect the changes in consumption for this EUC Code. Moreover, this arbitrarily different approach to treatment across non-domestic consumers would distort competition in the non-domestic market, as it implicitly favours non-domestic Shippers/Suppliers with customer portfolios biased towards larger consuming customers (i.e. those above EUC Code 1). • Drax are conscious that there is a requirement for appropriate monitoring of this Modification which should be delegated through the UNC Panel to the Performance Assurance Board. Drax would also anticipate that Ofgem will expect that Transporters and other Industry parties develop appropriate restoration plans to reinstate normal Industry arrangements that
-------------	--------------------------	---------------------	---

			<p>have been suspended or altered temporarily for the purposes of responding to COVID-19.</p> <ul style="list-style-type: none"> • Drax are conscious that the development of this proposal has been rapid with little opportunity to analyse all potential consequential impacts that may need to be mitigated. For instance, there has not been opportunity to understand how the provisions would operate if parts of GB (e.g. geographic regions or specific Industries) were still under COVID-19 measures or COVID-19 measures currently in force were lifted and then reinstated under the same powers. • As identified in the Modification proposal, there are no immediate specific costs or IT system changes required to implement these changes. There may well be implications for Users to resource, record, implement and potentially adjust the relevant AQ once restrictions are lifted. • Agrees with legal text as far as EUC code 2-9 is concerned. However, Drax believe that it should also include provision for Non-Domestic EUC code 1. They also note that the legal text includes an error in that it references to legal text in Modification 0723 (Urgent) - Use of the Isolation Flag to identify sites with abnormal load reduction during COVID-19 period, which would not be applicable if Modification 0723 were not implemented. This also seems inconsistent with the intent of the Modifications to operate independently which was confirmed to the Distribution Workgroup. • As outlined above the change cannot be applied to non-domestic EUC code 1 sites. Drax also note that the definition of relevant period is made with reference to Schedule 22 of the Act and presume that this is in relation to the relevant powers to close premises. Does not view this as an impediment to implementation if further work is undertaken to ensure an appropriate restoration plan is developed under UNC Panel.
E.ON	Oppose	d - negative	<ul style="list-style-type: none"> • Recognise the impacts which COVID-19 has had on organisations, it is not limited to Domestic or Industrial & Commercial and there is no single approach to behaviours which are being applied e.g. lockdown = businesses have closed so usage has plummeted and therefore domestic usage has rocketed. It has not been an equal and opposite application; it has instead seen unique MPRN level usage changes with some businesses increasing usage to meet demand and others reducing to keep things ticking over and some

			<p>domestic usage has vastly increased with others reducing. Put simply there is no single rule which can be applied.</p> <ul style="list-style-type: none"> • The solution outlined in this Modification creates a new avenue to complete AQ corrections and although theoretically could apply an adjustment to the period, there are likely to be knock on impacts to demand estimation modelling. These impacts may have unintended consequences that would be difficult to unpick and could have unintended ramifications in future years modelling. • Believe there might be impacts to the upcoming seasonal normal activities and transportation charges could be impacted. • E.ON also note that this proposal does not take into consideration phasing out of lockdown, as it is highly probable that coming out of lockdown will occur in phases, if AQ corrections have been applied how will it be followed up? The tracking of the usage could become even more complex. • Agree that evidence based would be required if approved, but how do they ensure that consistency is applied? It is not clear how this rule will be validated. If this was to be approved there would need to be a mechanism to return back to the original AQ if the evidence is found not to be as accurate as originally thought e.g. the business said it was closing for the duration, only for it to reopen and begin consuming. • Without the removal of the 9 month rule it will not be something which can be consistently applied (if any site is in the 9 month window) or returned to a more accurate AQ level in a reasonable time post lockdown, their belief is the solution needs to be consistently applied and if it cannot cover all EUCs and all sites then it is not a suitable solution. • If the AQs are not returned to the post lockdown consumption in a timely manner this could distort the domestic part of the market and see them erroneously picking up charges which are meant for I&Cs, which we don't believe has been thoroughly investigated and outlined so we are concerned this solution could just move the problem around. • E.ON would recommend that reporting to identify the COVID-19 instances is put in place should this Modification be approved. There needs to be visibility
--	--	--	---

			<p>to manage the resultant UIG changes (and also that they are backed out as soon as possible) so the profile impacts can be corrected otherwise they will impact profiles for the next 4 years which is something that needs to be avoided.</p> <ul style="list-style-type: none"> • Believe that a rule which instead rolls over the Formula Year AQ from 2019 into 2020 would be a more generic approach which can be modelled and does not have complex rules or require unpicking. • If approved, implementation could be immediately after approval. • Believe there would be some enhancements required in our systems to allow the full solution outlined. Based on the solution drafting E.ON would initially size this as a small change and unlikely to require a project to mobilise the implementation. • Recognise that the definition for relevant period links to all Modifications 0721, 0722, 0723 and 0724, if this Modification is not approved but another is then E.ON would expect that the defined term will also be incorporated. • The solution is likely to have an impact on IGT connected sites, so E.ON recommend that that cross-code impacts in the IGT UNC are also considered.
EDF	Comments	No comment	<ul style="list-style-type: none"> • Recognise this Modification will require no system changes to facilitate implementation by both Shippers and the CDSP. • States this Modification must include an exit strategy to enable Annual Quantity (AQ) values to be returned to evidence based levels once lockdown and social distancing measures are removed. For efficiency and future clarity, the arrangements for reversing these changes should be included in this Modification to avoid the need for further Modifications. • States an obligation on Shipper Users to provide further detail on their reasoning for submitting an AQ correction should also be included. This could be in the form of an obligation on Shippers to retain evidence on how AQ corrections are derived (similar to that proposed in Modification 0722 (Urgent) - Allow Users to submit Estimated Meter Reading during COVID-19) and/or more detail provided at the point an AQ correction is submitted. This evidential burden could

			discourage Shippers from abusing the flexibility this Modification affords during the COVID-19 pandemic.
Energy Intensive Users Group (EIUC)	Support	d - positive	<ul style="list-style-type: none"> • The impact of COVID-19 has created uncertainty in gas demands for many customers. Additional social distancing protocols will cause issues with access to properties for meter reading purposes. • States this proposal will allow NDM meter reads to be submitted using an existing process which will ultimately help protect the NDM demand attribution. However, more should be done to protect DM customers from fixed/capacity charges. • Raises a concern that DM Sites are not protected with the Legal Text for this Modification. • Agree the proposed solution will help protect Shipper/Supplier responsibilities (for meter reading performance), and Transporter responsibilities (for protecting the NDM demand attribution and shrinkage processes). • That more help should be provided in helping DM customers with fixed/capacity charges and ensuring that DM sites do not change load bands (and therefore exposed to higher unit charges in the following charging periods) as an unintended consequence of any changes. • States that, within the current health & economic climate, many DM 'Industrial & Commercial' Consumers have reduced (or completely ceased) their levels of gas consumption due to falling product demands. Many do not know when normal operations will resume. • That this Modification (or similar) should explore how to offer DM sites temporary relief of the fixed/capacity charges in a similar way that Modification 0275 (Urgent) - Reduction in DM LDZ Exit Capacity for Supply Points with Significant Changes in Usage, offered protection during the economic crisis in 2008/09.
ENGIE	Support	None	<ul style="list-style-type: none"> • Believe this Modification presents a pragmatic approach to combat the gas allocation issues regarding incorrect AQs resulting from site shutdowns and consumption variations during the COVID-19 crisis. • Agree this Modification will allow for MPRNs to be allocated with volumes which more closely represent what is occurring at site.

			<ul style="list-style-type: none"> • ENGIE would like to understand what can be classed as evidence to support the correction of the AQ (given that it will be difficult or impossible to contact certain customers) and whether there is the ability to use this Modification alongside Modification 0722 - (Urgent) - Allow Users to submit Estimated Meter Reading during COVID-19. • Agree with Legal Text. • ENGIE would be faced with impacts surrounding customer communication and understanding what is currently occurring at sites and potential operational impacts in developing and sending the corrected AQs.
Gazprom Energy	Support	d - positive	<ul style="list-style-type: none"> • Gazprom Energy believe many sites' AQ's will be too high during the Pandemic as a result of the mandatory shutdown of businesses. It is also the case that for some sites ramping up production to help fight COVID-19, the current AQ's may be too low. • Agree that the solution provided allows AQ's to be amended quickly and effectively by utilising existing processes. • That this Modification will improve energy allocation, so reducing costs in the market and hence furthering competition. • Gazprom Energy have not identified any significant costs associated with this Modification. • Suggest that, due to the continuing negative impact of inaccurate AQs on the market, this change needs to be implemented as soon as possible. • Gazprom Energy would like it to be noted that the continuing demand destruction in the Non-Domestic market and the latest data from the Industrial & Commercial Shippers and Suppliers Group (ICoSS) estimating this to be in the overall range of 20-25%.
ICoSS	Support	d - positive	<ul style="list-style-type: none"> • Agree with the proposer's view that many sites' AQs are too high as a result of the shutdown of many businesses owing to the COVID-19 pandemic and that a process is needed to re-align the AQ to their expected consumption to improve settlement accuracy. • ICoSS recognises the solution provided allows that to be done quickly and effectively by utilising existing processes and accepts the need to manage the potential number of AQ corrections by restricting this process to EUC bands 2-9.

			<ul style="list-style-type: none"> • That this change is implemented as soon as possible due to the continuing negative impact of inaccurate AQs on the market and accepts these new AQs will not become effective until 1 June. • Recognises that Shippers will need to develop processes to identify sites that can benefit from a revised AQ, calculate a revised value and submit them if they wish to utilise this process. • ICoSS have reviewed the legal text and have not indicated any concerns with the drafting. • ICoSS has been tracking the impact on the non-domestic market from the COVID-19 pandemic and there has been an overall reduction in business demand of around 20-25%. This demonstrates the need for a timely correction to the AQs for larger sites.
Major Energy Users Council (MEUC)	Support	d - positive	<ul style="list-style-type: none"> • MEUC recognise that many Industrial and Commercial consumers have been forced to close as a result of the Government implementing lock down of their activity. In addition to large single site consumers there are numerous commercial multi-site organisations, which include chains of hotels, restaurants, pubs, cafes, takeaways etc. all of whom use considerable amounts of gas, with zero consumption and no income yet they will still face 95% of their transportation charges, which are mainly based on Capacity not Commodity. • MEUC would appreciate it if Ofgem, could urgently approve implementation of these Modifications.
Northern Gas Networks (NGN)	Oppose	c - negative d - neutral	<ul style="list-style-type: none"> • NGN agrees that there is a benefit to Shippers in the short term, however, there is a longer term impact that would be felt by the implementation of this solution that outweighs the short term benefits. • That the reduction in AQ will have an impact on Transportation Charges, which is governed by NGN's Licence, including requirements to collect revenue as closely as possible to allowed revenue each year. • In order to avoid breach of the licence conditions, the Transportation Charges may need to be amended, which could trigger a request for an 'in year' price change, which could impact all Shippers creating more volatile and less predictable charges. • Agrees this proposal could be implemented as soon as Ofgem approval is received. • States there is a risk of a typical usage flowing through to the Formula Year AQ (FYAQ) which would need to

			<p>be corrected back to normal consumption levels promptly after the COVID-19 period ends and suggests this could have a negative impact on Transporter revenue while the temporary AQ is in place.</p> <ul style="list-style-type: none"> • NGN believe the legal text provided should deliver the Solution set out in the Modification. • That that there is no impact on Transporters referenced in this Modification which is incorrect given the impacts on Transportation Revenue. NGN believe this omission is material and needs to be considered. This change could create a cross subsidy of Transportation Charges into the domestic market, who are excluded from the scope of this proposal. • During workgroups where the potential solutions relating to COVID-19 impacts have been discussed, it has been highlighted that the AQ correction had a number of long term impacts that would need to be unpicked to correct AQs back to a normal basis. NGN believe that, should this Modification proposal be implemented, the proposer, with the support of the rest of industry, should immediately start working on how the consequential impacts of this Modification could be minimised.
Npower Group	Comments	d - negative	<ul style="list-style-type: none"> • Understand the intent of this Modification to address inaccuracy in AQs arising from changes in business activity as a result of COVID-19, however Npower Group have concerns about this proposal. • Agree that facilitating such a process should hopefully lead to more accurate AQs for businesses which might otherwise fail tolerances, more thought needs to be given to the knock-on implications and post-lockdown activities. • Npower Group are particularly concerned that any corrections made would be in place for a minimum of 9 months which could lead to negative impacts which could not be undone once a site is out of lockdown. Npower Group feels this could potentially lead to inaccurate AQ prevailing for months if not years after the COVID-19 crisis is over. • Npower Group query the comments regarding justification for urgency – “This means that AQ for many sites in EUC bands 2-9 is significantly overstated, as it is demonstrated by the recent levels of UIG since the commencement of the COVID-19 crisis:” It is Npower Group’s view that it is not understood or clear at the

			<p>moment to what extent the UIG levels are being driven by exceptionally warmer than seasonal normal weather over a prolonged period versus being driven by COVID-19.</p>
Opus	Qualified support	d - positive	<ul style="list-style-type: none"> • Opus have offered qualified support for this Modification, on the basis that they support the intent of the proposed Modification but believe it should apply equally to all non-domestic consumers and not just EUC code 2-9 meters. This may require an additional urgent modification to extend relief to non-domestic EUC code 1 meters. • Opus believe that the intent of the Modification is to improve the accuracy and quality of the information in central systems that will enable Shippers and others to manage the impact of demand fluctuations caused by the COVID 19 pandemic in a practical and proportionate manner. In doing so they agree that this measure should benefit customers by maintaining effective competition in the non-domestic market in accordance with relevant objective (d) and ensure that charges to customers proportionately reflect the impact of measures taken to comply with COVID 19 measures. • Opus believe that implementation could be swift including with the provisions being extended to non-domestic EUC code 1. This was not included in this Modification as there is a perceived risk that the CDSP would not be able to manage larger volumes of change. Opus believe this risk could and should be managed by the CDSP and support Ofgem directing that the provisions of the Modification should apply to all EUC codes, albeit recognising that may require an additional UNC Modification. The risk otherwise is that smaller non-domestic consumers may be disproportionately allocated UIG charges compared to larger non-domestic consumers, as Shippers will not be able to appropriately reflect the changes in consumption for this EUC code. Moreover, this arbitrarily different approach to treatment across non-domestic consumers would distort competition in the non-domestic market, as it implicitly favours non-domestic shippers/suppliers with customer portfolios biased towards larger consuming customers (i.e. those above EUC Code 1). • Opus are conscious that there is a requirement for appropriate monitoring of this Modification which should be delegated through the UNC panel to the

			<p>Performance Assurance Board. Opus would also anticipate that Ofgem will expect that transporters and other industry parties develop appropriate restoration plans to reinstate normal industry arrangements that have been suspended or altered temporarily for the purposes of responding to COVID 19.</p> <ul style="list-style-type: none"> • Opus are also conscious that the development of this proposal has been rapid with little opportunity to analyse all potential consequential impacts that may need to be mitigated. For instance, there has not been opportunity to understand how the provisions would operate if parts of GB (e.g. geographic regions or specific industries) were still under COVID measures or COVID measures currently in force were lifted and then reinstated under the same powers. • Opus believe that there are no immediate specific costs or IT system changes required to implement these changes. There may well be implications for Users to resource, record, implement and potentially adjust the relevant AQ once restrictions are lifted. • Opus believe that the legal text is satisfactory in relation to EUC code 2-9. However, Opus believe that it should also include provision for non-domestic EUC code 1. They also note that the legal text includes an error in that it includes references to legal text in proposal UNC Modification 0723 which would not be applicable if UNC Modification 0723 were not implemented. This also seems inconsistent with the intent of the Modifications to operate independently which was confirmed to the Distribution workstream. • As outlined above the change cannot be applied to non-domestic EUC code 1 sites. In addition, Opus note that the definition of <i>Relevant Period</i> is made with reference to Schedule 22 of the Act and presume that this is in relation to the relevant powers to close premises. As outlined above we do not view this as an impediment to implementation if further work is undertaken to ensure an appropriate restoration plan is developed under panel.
Orsted	Support	d - positive	<ul style="list-style-type: none"> • That the restrictions imposed by the Government due to the COVID-19 pandemic has resulted in many businesses having to shut down. • That the proposer has accurately identified that many of these sites' AQs are erroneously high and a process

			<p>is urgently needed to re-align the AQ to their expected consumption to improve settlement accuracy.</p> <ul style="list-style-type: none"> • That the solution within this Modification allows this to be done quickly and effectively utilising existing UKLink system functionality and processes. • Support the need to manage the potential number of AQ corrections by restricting this process to EUC bands 2-9. • Orsted would like to see this change implemented as soon as possible due to the negative impact of inaccurate AQs on the market and recognises that as the Modification proposes to utilise existing system functionality and processes that any new AQs will not become effective until 1 June. • Orsted have not fully assessed the impacts and costs to their business but expect them to be minimal. • Agree with the Legal Text.
PFP Energy	Support	No comment	<ul style="list-style-type: none"> • PFP Energy believe that without addressing AQ in the COVID-19 period it will have unintended consequences for gas balancing and gas reconciliation. • Under section E of the UNC the daily User Daily Quantity Outputs (UDQOs) for NDM Shippers to small businesses will be overstated by the Xoserve calculation, unless such impacted Shippers can reduce the AQ downwards to reflect the actual demand. If this does not occur Shippers will be asked to put more gas into the system each day than the sites are consuming. Even if they provide a monthly meter read, they will still be asked to put more gas in than the sites are consuming, and could be purchasing this at System Marginal Price (SMP) buy price, and when reconciliation occurs they will get the volumes recompensed back at 30 day SAP. Under the UNC exit close out date is the 5th day after the gas flow day and this defines the daily UDQO. The UDQO for NDM sites is determined by ones AQ and WALP (weather adjusted ALP). Normally the average daily SMP buy prices will be greater than the 30 SAP price, and this will cause such Shippers an unintended gas balancing loss that they are unable to mitigate against unless they can reduce the AQ according to the demand, which in some cases will be zero. • Therefore, without this change and even if a Shipper correctly estimated its usage and inputted (bought) the

			<p>buy gas required to meet its UDQO, based on better intelligence on site consumption, they would be forced by the balancing rules to purchase more to Xoserve's UDQO, which will be driven off the AQ Xoserve hold on their system pre COVID-19 and they would purchase this at the daily system buy price. If the Shipper put in a read, a monthly read, all the over purchased gas that the balancing rules force the Shipper to purchase would be recompensed back via the reconciliation invoice at the 30 day SAP price, thus generating unintended losses.</p>
ScottishPower	Support	d - positive	<ul style="list-style-type: none"> • In principle ScottishPower supports what this change intends to achieve to give authority for the CDSP to accept requests from Shippers who submit AQ corrections EUC bands 2-9. Given the current situation with Covid-19 there will be a number of sites that are consuming less or no gas, this Modification will allow Shippers to give more accurate AQs for these sites and will provide more accurate allocations and a more reflective UIG. • Whilst ScottishPower supports the intent of this Modification, they feel there is a level of detail that is lacking: <ul style="list-style-type: none"> ○ Clarity on how the AQ correction will be triggered – Details would be required on whether this was at a customer request and what level of audit trail would be required. ○ Detail on how will the new AQ would be determined - Will it be an agreed industry percentage, or will it be at each individual supply meter point level based on circumstances? ○ What would happen post lockdown – Clarification would be needed on how AQ's would be treated post lockdown. Currently an AQ change can only be requested every nine months, would this be waived should lockdown end sooner and MPRNs return to previous levels. • ScottishPower question if there is an IGT UNC impact. • Agree with the Legal Text.
SGN	Oppose	b - negative d - negative	<ul style="list-style-type: none"> • SGN provide extensively detailed explanations relating to some key common themes such as impact of COVID-19; alignment with Government COVID-19 response strategy; lifespan of Modifications;

			<p>Modification development and evidence requirements <i>(please refer to the representation for further details)</i>.</p> <ul style="list-style-type: none"> • SGN opposes this Modification as it has a significant impact on the recovery of Transportation Capacity Charges and the customer demographic to which they are applied. SGN does support the intention of the Modification to provide relief to customers whose energy requirements no longer reflect their forecast allocation during the COVID-19 period. • As drafted, the Modification seeks to address Shippers' licence obligation "to ensure that its offtakes of gas from a transporter's pipe-line system and its deliveries of gas are equal". The Modification recognises that where sites have experienced a change in demand but are unable to reflect this through their AQ, Shippers would still be required to purchase energy to satisfy the latter value even though this may no longer be accurate. Furthermore, the variation between forecast requirements and actual demand will contribute to UIG. As such, this Modification intends to improve energy allocation and therefore reduce overall costs in the industry. • SGN supports this intention and acknowledges the impact which COVID-19 may have on consumers' gas usage. However, SGN does have concerns that the Modification, as drafted, will create significant unintended consequences, as the problem statement and the resolution are not aligned – the issue identified relates to energy purchase while the solution proposed amends Capacity reservations. The actual impact of the solution will be to introduce a potentially significant reduction in the total Transportation costs for one consumer segment which could be to the detriment of other consumer segments. • Concerned with regards to the potential significant reduction in Industrial and Commercial Aqs at the exclusion of EUC 1 or daily metered sites. Such a movement in Aqs would have a distributional impact of providing immediate relief to the I&C customer base, with capacity charges being recovered in future from the domestic sector. SGN think such distributional impacts need to be considered very carefully to ensure that they are aligned with government policy intention in a strategic and holistic manner. • Note that the solution proposed under Modification 0722 - (Urgent) - Allow Users to submit Estimated
--	--	--	---

			<p>Meter Reading during COVID-19, specifically targets energy allocation and Commodity charging. As such the stated objectives of Modification 0721 could be more effectively achieved through use of, or an adjustment to, the Modification 0722 proposal.</p> <ul style="list-style-type: none"> • Have a particular concern in relation to AQ corrections, where the potential impacts are significant but there is no clear understanding of how the arrangements would be revised as the COVID-19 period eases. • Highlighted that, following a correction, the AQ is not automatically updated for a period of 9 months, and therefore should Users be unable to revise AQs back to expected levels, any meter readings would only incrementally adjust the value over a nearly two-year period. • Without clear exit arrangements there is a risk that the impact of AQ corrections may remain in place without reflecting the wider economic recovery. • In a scenario where it takes up to two years for AQs to fully return to their appropriate level, or there is a sharp initial adjustment, this will have a material impact on transportation revenues which, whilst recovered through the two-year lag, would require the Gas Distribution Networks (GDN) to absorb the initial impact within their own liquidity arrangements. Should a GDN be unable to accommodate the intervening period, they may require a mid-year tariff review in the 2020/2021 year. • Note that the reason presented for the exclusion of EUC 1 is to avoid any UK Link System volume constraints. In the UNC Distribution Workgroup held on 23rd April 2020, the suggestion was raised that portfolio-based quotas could be a more effective approach to mitigating system constraints while including all customer types. Given the constraints imposed by the UK Link System, it is important that any measures are well-targeted and appropriate. • Understands that whilst the Coronavirus Act 2020 is in place for an initial term of two years, declarations made under Schedule 22 are intended to be short-term. • Should a Modification with such a significant financial impact be progressed then it should be time limited to a much shorter period to accommodate the initial shock of an unanticipated imposition but should not remain open for the foreseeable future given the much greater
--	--	--	---

			<p>clarity around the government’s strategy. Similarly, while there is the potential for future declarations to be made, SGN would not support the application of Modification 0721, as experience and data from the initial Relevant Period would be available to inform future management strategies.</p> <ul style="list-style-type: none"> • In relation to the legal text to support Modification 0721, this states that a correction will “include reasonable evidence to demonstrate the impact of COVID-19 on gas consumption during the Relevant Period”. SGN states that while the nature of this evidence has not been defined, SGN would expect it to demonstrate communication with the end consumer and justification of the new AQ required. • That the potential magnitude and longevity of the arrangements is under-developed. While SGN is of the view that the intention of the Modification is sound, the wider impacts have not been sufficiently identified and evaluated to allow the solution to be implemented.
Total Gas & Power Ltd	Support	d - positive	<ul style="list-style-type: none"> • That there needs to be a mechanism to amend AQ’s during the COVID-19 pandemic due to fundamental changes to consumption patterns. • This proposal provides a quick and pragmatic solution • Due to the urgency of this Modification, this change needs to be implemented as soon as possible. • Note there will be a requirement for some internal business process changes required but nothing significant in terms of costs. • Total Gas & Power have no comments on the Legal Text.
Utilita Energy Ltd	Support	d - positive	<ul style="list-style-type: none"> • States that this Modification will support more accurate allocation across the Industry. • Utilita will not require significant lead time to implement these changes. • Utilita would expect minimal costs for development. • Utilita are happy with the legal text. • That these temporary measures are mentioned as being in place for the duration of the COVID-19 pandemic, will this be left to UNC to determine and advise parties on when this period is over and the temporary measures are no longer in place. It leaves room for confusion and disparity between Industry,

			<p>should Shippers need to determine this themselves based on Government advice.</p>
Wales & West Utilities (WWU)	Oppose	<p>c - negative d - none</p>	<ul style="list-style-type: none"> • Recognise COVID-19 is materially impacting some sectors and energy usage. • WWU fully understands the stated aim of this Modification which is that Shippers wish to reduce the amount of energy that is allocated to sites that have reduced consumption due to COVID-19 and hence understand the rationale (but not the solution) for this UNC Modification and the Urgent status. • That if the energy allocation issue was addressed and there were no consequential impacts on Transportation income and charges then WWU would support a Modification to address that issue. • Does not support this Modification for the following reasons: <ul style="list-style-type: none"> ○ The Modification proposal does not include the resultant, and presumably unintended, network impacts; which is a significant omission. The impacts on Network Transportation income are likely to be material if this Modification results in a 20% to 50% reduction in AQs by I & C Shippers. This is likely to result in the need for a mid-year price change that will redistribute charges to domestic customers and away from I&C customers and more broadly will add charging uncertainty for all Shippers. ○ As the Modification contains no process for reversing the AQ corrections, or for time limiting its application to the period of COVID-19, the distributional impact on Transportation charges for 2021/22 will continue even if consumption for these sites broadly recovers to pre- COVID-19 levels later in 2020 due to the fact the Rolling AQ for December that is used for the Formula Year AQ for 21/22 will reflect the AQ corrections. ○ Shippers' evidence of impacts must be robustly governed to stop abuse of this Modification. The legal text requires the Shipper to "include reasonable evidence to demonstrate the impact of COVID-19 on gas consumption during the COVID-19 period". The Performance Assurance Committee will need to rigorously monitor behaviour to ensure that AQ corrections reflect real consumption reductions and the new AQ reflects likely 12 months

			<p>consumption and not pro-rated consumption during the lockdown period.</p> <ul style="list-style-type: none"> ○ WWU are not sure Xoserve systems have the capability to cope with the potential volume of AQ corrections that may be submitted to take effect on 1 June. ● That Ofgem may need to engage with Networks and fully understand the financial resilience and impact on Network services. ● That the Modification only allows the AQ corrections due to COVID-19 during the lockdown period; however, its effects endure well beyond this period. WWU would like consideration on Licence changes to allow quicker recovery back to Networks post the COVID-19 period. There is scope for other UNC Modifications and Ofgem engagement with Networks on actions to address COVID-19. Ofgem must consider and impact assess this in totality rather than piecemeal. ● WWU have significant concerns regarding the size of the impact on Transportation charges due to the AQ corrections affecting the Formula Year AQ impacts that were not described in the Modification proposal. This results in a significant risk that a mid-year price change may be required. This would re-balance Transportation charges towards domestic customers, WWU believe that this would be unfair if the impact on I&C customers is only a few months. ● WWU are also concerned about how the Rolling AQ is restored to realistic values following the end of the COVID-19 period when it is hoped demand recovers. If Shippers rely on meter readings to gradually increase the Rolling AQ (which is what will happen without a further intervention) then there will be similar continuing impacts on Transportation Charges in 21/22 that will be inappropriate if consumption recovers during the latter part of 20/21 and broadly returns to pre-COVID-19 levels by April 2021. ● WWU are aware that NGN are continuing discussions with the legal text provider regarding which legislation should be referenced. ● Analysis included in published Representation.
Xoserve	Comments	No comment	<ul style="list-style-type: none"> ● Xoserve offer specific comments with regards to Modification 0721 – Shipper submitted AQ Corrections during COVID-19. They appreciate that the proposer has limited this functionality to Supply Meter Points in

			<p>EUC bands 2-9 or that are isolated. Xoserve remain concerned regarding the potential volumes significantly exceeding previous peak processing and note that the Modification itself does not explicitly ask for the CDSP to cancel any corrections which do not adhere to the criteria in the Modification as Xoserve would expect that Shippers would adhere to these rules. As the AQ correction process is an exception process and typical volumes are no more than 3,000 transactions in a normal month, this is not a process that has previously been considered necessary for performance scaling – so if Xoserve see non-compliant corrections they will highlight these to Shippers such that they utilise cancellation functionality. Xoserve would not expect that they would require this, but in the event that it is necessary they would anticipate discretion to submit these on a Shipper’s behalf.</p>
--	--	--	--

Please note that late submitted representations will be included on a best endeavours basis 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 this Modification seeks to authorise the CDSP to accept requests from Shippers who submit AQ corrections to amend the AQ in response to the changing consumption of the End User as a result of the COVID-19 crisis, by including this as a reason to do so.

Panel Members considered the representations made, noting that of the 21 representations received, 10 supported implementation, 2 offered qualified support, 3 provided comments and 6 were not in support.

Some Panel Members agreed with Respondents, that this Modification represents a pragmatic approach to reduce the impacts of gas allocation issues regarding incorrect Aqs resulting from widespread site shutdowns and the associated consumption variations during the COVID-19 crisis. This Modification should allow for MPRNs to be allocated with volumes which more closely represent what is occurring at site.

Panel Members noted that this Modification could be implemented quickly and effectively utilising existing UK Link system functionality and processes, with minimal industry costs. There were concerns raised around the monitoring of implementation and the potential settlement risks arising from misuse of these changes and the availability of reporting.

Some Panel Members supported the pragmatic restriction of the Modification solution to the mainly non-domestic sector in EUC Bands 2 to 9. This was to reduce the potential number of AQ corrections required to be managed in line with the CDSP’s concerns.

Some Panel Members noted that where sites have experienced a change in demand but are unable to reflect this through their AQ, Shippers would still be required to purchase energy to satisfy the latter value even though this may no longer be accurate. Furthermore, the variation between forecast requirements

and actual demand will contribute to UIG. As such, this Modification intends to improve energy allocation and therefore, reduce overall costs in the industry.

Panel Members noted that a respondent commented that the exclusion of EUC Band 1 supply meter points in the solution, is fundamentally unfair as it disadvantages an entire section of the market and thus has a negative impact on competition. However, they also noted that this is an attempt to reduce the volume of AQ corrections being submitted. A Panel Member noted there might be a need for a Modification to uplift domestic AQs in light of the demand creation occurring in this sector, which will not be picked up quickly via the normal meter reading process.

Some Panel Members were concerned that an unintended consequence of this Modification is related to potential network impacts; which could be significant in relation to potential Transporter Licence compliance. The impacts on Network Transportation income are likely to be material if there is a significant reduction in AQs by I & C Shippers, which is not wholly offset by an increase in domestic usage. This could lead to the need for a mid-year price change that will redistribute charges to domestic customers and away from I&C customers and more broadly will add charging uncertainty for all Shippers. It was felt that this redistribution of costs is not welcome and would take time to return to pre-COVID-19 values for the resumption of usual consumption volumes.

Some Panel Members noted concerns about how the Rolling AQ is restored to realistic values following the end of the COVID-19 period when it is hoped demand recovers. If Shippers rely on meter readings to gradually increase the Rolling AQ (which is what will happen without a further intervention) then there will be similar continuing impacts on Transportation Charges in 2021/22 that will be inappropriate if consumption recovers during the latter part of 2020/21 and broadly returns to pre-COVID-19 levels by April 2021. It was noted that the Modification makes provision for restoration of the AQ without relying on the rolling AQ process.

It was noted that a consequence of this Modification might be that Transporters under recover Transportation revenue and that a mid-year price change might be required. This could lead to a redistribution of charges. The effect may well continue into 2021/22 even if consumption recovers by the end of 2020/21. Panel Members recommend that Ofgem consider how Transporters can be supported with this issue.

Some Panel Members noted that a number of Respondents had raised issues concerning the potential impacts on transportation charges and that these had not been included as an impact on Transporters in the Modification. It was noted that this matter and options had been discussed at the Distribution Workgroup prior to this Modification being raised and recorded in the minutes. Other Panel Members noted that the issue had not been adequately addressed in the Modification and as such had been raised in several consultation responses.

Some Panel Members were concerned with potential impacts on system stability and Xoserve's ability to cope with the expected significant increase in the submission of AQ corrections.

Panel Members noted that a number of Respondents supported the view that the Performance Assurance Committee (PAC) should monitor the implementation of this Modification should it be implemented, this should include suitable reporting and appropriate powers and tools to manage this process beyond the Modification termination should it be required.

Some Panel Members noted that the Commission for Regulation of Utilities (CRU) Ireland's independent energy and water regulator is introducing a scheme from the 01 May 2020 for non-domestic SME customers impacted by COVID-19 restrictions. Any customer who avails of the scheme will have no energy or network charges billed for their business premises supply point for the duration that the measure is in place. In effect, the consumption for their supply point would be estimated at zero and their fixed network charges

will be suspended. One implication of this scheme is that ESBN, EirGrid, and GNI are unlikely to recover all of their expected revenues for the tariff year 2019/20. The CRU will ensure an accurate quantification and recovery of the costs associated with this scheme in subsequent tariff years

Some Panel Members noted that Ervia who own, amongst other things, the gas distribution network in Ireland, is state owned.

Consideration of the Relevant Objectives

Some Panel Members agreed that this Modification should have a positive impact on **Relevant Objective d) Securing of effective competition**; as Shippers have obligations under licence to ensure that the offtake of gas from a transporter's pipe-line system and its delivery of gas are equal. This Modification should improve the accuracy of energy allocation by ensuring it is reflective of actual site consumptions, so reducing costs in the market and hence furthering competition.

Some Panel Members disagreed that this Modification would further **Relevant Objective d) Securing of effective competition**; as the Modification fails to take account of the wider market impacts due to the reallocation of UIG and the period of time this would be applicable for, therefore, it would have a negative impact on competition.

Some Panel Members considered that this Modification would also have a negative impact on Relevant Objectives

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 and

c) Efficient discharge of the licensee's obligations.

Due to the potential impacts on transportation charges and the longer-term accuracy of AQs, it was recommended that there should be further industry consideration of the issues raised through industry representations and UNC Modification Panel discussions.

Determinations

Panel Members voted with 8 votes in favour (out of a possible 14), to **recommend implementation of Modification 0721 (Urgent)**.

12 Recommendations

Panel Recommendation

Panel Members recommended:

- that Modification 0721 (Urgent) **should be implemented**.