

| UNC Modification                                                                                                                                                                                                                                                                          | At what stage is this document in the process?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <h1>UNC 0725 (Urgent):</h1> <h2>Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) During COVID-19</h2>                                                                                                                                                | <div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 5px; display: flex; align-items: center; justify-content: space-between;"><span style="font-weight: bold; font-size: 1.2em;">01</span> Modification</div> <div style="border: 1px solid #17a2b8; padding: 5px; display: flex; align-items: center; justify-content: space-between;"><span style="font-weight: bold; font-size: 1.2em;">02</span> Workgroup Report</div> <div style="border: 1px solid #9c27b0; padding: 5px; display: flex; align-items: center; justify-content: space-between;"><span style="font-weight: bold; font-size: 1.2em;">03</span> Draft Modification Report</div> <div style="border: 1px solid #fd9e14; padding: 5px; display: flex; align-items: center; justify-content: space-between;"><span style="font-weight: bold; font-size: 1.2em;">04</span> Final Modification Report</div> </div> |
| <p><b>Purpose of Modification:</b></p> <p>To enable consumers to have their site SOQ updated to more accurately reflect their network use during the COVID-19 pandemic and to authorise the CDSP to temporarily accept Shipper User SOQ update requests outside of the normal period.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                                                                                                                                                                         | <p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>treated as urgent and proceed as such under a timetable agreed with the Authority</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                                                                                                                                                                        | <p>High Impact:<br/>Shipper Users, End Users</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                                                                                                                                                                        | <p>Medium Impact:<br/>CDSP, Gas Transporters</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                                                                                                                                                                        | <p>Low Impact:<br/>Suppliers</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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| Timetable                                                     |                                |                                                                                                                                                                                  |
| <b>The Proposer recommends the following timetable:</b>       |                                |                                                                                                                                                                                  |
| Ofgem Decision on Urgency                                     | 07 May 2020                    |                                                                                                                                                                                  |
| Consultation Commences ( <i>3 Business Day consultation</i> ) | 11 May 2020                    |                                                                                                                                                                                  |
| Consultation Close-out for representations                    | 13 May 2020                    |                                                                                                                                                                                  |
| Final Modification Report available for Panel                 | 18 May 2020                    |                                                                                                                                                                                  |
| Modification Panel decision                                   | 21 May 2020                    |                                                                                                                                                                                  |
| Ofgem Decision                                                | 22 May 2020                    |                                                                                                                                                                                  |
|                                                               |                                |  Any questions?                                                                               |
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## 1 Summary

### What

Businesses are being impacted and disrupted owing to the measures taken as a result of the COVID-19 pandemic. These impacts include -

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

To correctly reflect their gas network use, UNC Users can only submit SOQ amendments to the CDSP during the Capacity Reduction Period, which does not commence until October 2020. The current arrangements do not cater for changes in consumer network use if there is an unprecedented event such as COVID-19. This means that many non-domestic sites impacted by the pandemic have SOQs that are unrepresentative of their actual usage, with no mechanism in place to amend and correctly reflect likely peak demands.

### Why

During the unprecedented COVID-19 pandemic it is important that UNC Users and consumers are accurately charged for their expected gas network use, otherwise consumers risk ceasing operation permanently.

There is a precedent for short-term reductions in SOQ to reduce Daily Metered (DM) Supply Meter Point consumer demand during equivalent times of economic crisis, such as National Grid's UNC Modification proposal 0275 - *Reduction in DM LDZ Exit Capacity for Supply Points with Significant Changes in Usage* ([here](#)) which was implemented during the credit crunch in 2009.

### How

This Modification proposes for Class 1 and Class 2 Supply Meter Points, and their relevant Shipper Users will be able to submit revised SOQs to the CDSP during a temporary window between the implementation date until 30 September 2020. For the avoidance of doubt, the SOQs will revert to their levels as of 1 May 2020 on 1 October 2020, after which point the Capacity Reduction Period commences.

## 2 Governance

### Justification for Urgency

Over-stated SOQs are having a current material impact with many large industrial plants ceasing production altogether, but still liable for significant and detrimental transportation charges every month. Consumers will not be able to reduce this exposure during the ongoing pandemic until the Capacity Reduction Period opens in October at the earliest. This Modification is proposed to follow an urgent timetable as this is a current issue with a significant commercial impact on some Shipper Users and Consumers.

### Requested Next Steps

This Modification should:

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

### 3 Why Change?

Since the COVID-19 pandemic many sites are in lockdown and business as usual has been disrupted. This has resulted in large changes in network use, especially for Class 1 and Class 2 Supply Meter Point sites, with many either ceasing production or seeing substantial reductions in daily demand. As a result, the site's Transportation charges are no longer reflective of their actual use. It should be noted that for Class 3 and Class 4 Supply Meter Point sites, the SOQ of these sites can be reduced via an AQ correction submission to the CDSP, but there is currently no corresponding process for Class 1 and Class 2 Supply Meter Point sites, outside of the Capacity Reduction Window which commences on 01 October each year.

It is essential that some form of short-term flexibility in the rules for capacity booking during the COVID-19 pandemic is appropriate and proportionate to allow these consumers to temporarily reduce their system capacity. It should be noted that there is some precedence for similar interventions to reduce costs for DM customers during the Credit Crunch, notably UNC Modification 0275 raised by National Grid and implemented in 2009. The COVID-19 pandemic represents similar challenges to businesses and a similar temporary solution seems warranted and proportionate when considering the overall impacts of COVID-19 on UK economy. The alternative is that some of these consumer will cease to use the network entirely, and Transporters will not recover any charges from that consumer, leaving other consumers worse off as transportation charges will need to be rebalanced/allocated in the longer term.

### 4 Code Specific Matters

#### Reference Documents

None

#### Knowledge/Skills

None

### 5 Solution

This Modification proposes to create a defined period (implementation date to 30 September 2020) in which Class 1 and Class 2 Supply Meter Points (excluding Seasonal Large Supply Meter Points) can submit reductions to SOQ values to the CDSP to better reflect their gas network use during this summer. For the avoidance of doubt the process would not be retrospective. Since increases in SOQ can be performed at any point during the year the Business Rules in this modification solely focus on SOQ reductions save for reporting where the Shipper may inform the CDSP that the SOQ increase has been undertaken in line with this Modification, and instruct the CDSP to effect SOQ reduction as described in BR6.

#### Business Rules

1. A Shipper User can submit a revised Registered DM Supply Point Capacity for a Class 1 or Class 2 Supply Meter Points at any point during the Period from date of implementation to the 30 September 2020 ("COVID-19 SOQ revision period"). In order to qualify for a Supply Point Capacity reduction under this Modification, the Supply Meter Point must have been in Class 1 or 2 at 1 April 2020.

2. The revised Registered DM Supply Point Capacity must be equal or greater than the peak daily Metered Volume calculated for that site from 1 April 2020 to the date of application or 31 May 2020, whichever is the earlier.
3. No revised Registered DM Supply Point Capacity will take effect until 1 June 2020 at the earliest.
4. A Shipper User may only submit a revised Registered DM Supply Point Capacity if the site has not already had a revised Registered DM Supply Point Capacity accepted in line with the provisions of Annex G-1.
5. The CDSP will validate the revised Registered DM Supply Point Capacity and, if compliant with BR 2 & 3, will revise the Registered DM Supply Point Capacity as soon as reasonably practicable.
6. From 1 October 2020, the CDSP will revert to the Registered DM Supply Point Capacity value (and for the avoidance of doubt, Supply Point Offtake Rate value) that was applicable on 30 April 2020 for any sites that had a revised Registered DM Supply Point Capacity accepted with the Registered DM Supply Point Capacity. The CDSP shall identify any changes effecting a reduced DM Supply Point Capacity and apply the reversal on 30 September 2020, or as soon as practicable thereafter.
7. Any increase of DM Supply Point Capacity during the period from the Modification implementation date to 30 September 2020 that the Shipper wishes to apply from 1 October 2020 shall be separately notified to the CDSP in order for the CDSP to include in the reversal activity.
8. The reversal activity shall take effect for the Supply Meter Point even if the Registered User at reversal is not the User who submitted a revised DM Supply Point Capacity amendment.

## 6 Impacts & Other Considerations

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

Not applicable, as this Modification is unlikely to impact an SCR or major industry changes as it should only be effective for a short period of time during the COVID-19 period.

### **Consumer Impacts**

The COVID-19 crisis has meant that many non-domestic sites have had a significant change in gas network use due to production and other impacts. This Modification will enable Class 1 and Class 2 Supply Meter Point sites to amend their SOQs and better reflect their actual gas network use. This proposal also has appropriate controls in place to ensure that any reductions reflect recent consumption and not long-term changes.

If this temporary relief is not extended to the largest consumers during this time of economic dislocation (as was during the Credit Crunch in 2009/10) then many of these customers will cease operations completely, so significantly reducing the total market from which to recover transportation costs. Given the above, all consumers will be better off in the long term by providing more flexible arrangements in the short term for DM sites. On this basis, this proposal is consistent with protecting the interests of all consumers.

### **Cross Code Impacts**

There will be a requirement to cater for IGT DM sites with a related IGT UNC change.

### **EU Code Impacts**

None.

## Central Systems Impacts

The CDSP will be required to amend specific system parameters and perform a series of manual activities to support this Modification.

## 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.                                                                                                                                                                                                               | Positive          |
| b) Coordinated, efficient and economic operation of<br>(i) the combined pipe-line system, and/ or<br>(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:<br>(i) between relevant Shipper Users;<br>(ii) between relevant suppliers; and/or<br>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant Shipper Users. | 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              |

This Modification proposal would have a positive impact on –

**Relevant Objective a) Efficient and economic operation of the pipe-line system**, the timely and short term relief offered by this Modification should help to avoid non-domestic sites disconnecting from the network, which would not be in the interests of the efficient and economic operation of the network, as it may lead to considerable underutilisation of the network in the longer term.

**Relevant Objective d) Securing of effective competition**, as this will improve cost reflectivity between Shipper Users and their consumers by aligning capacity costs with actual system usage and hence furthering competition between Shipper Users.

## 8 Implementation

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

## 9 Legal Text

Legal Text to be provided.

## 10 Recommendations

### **Proposer's Recommendation to the Authority**

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