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for energy consumers

UNC Panel Chair, IGT UNC Panel
Chair, the Joint Office, IGT UNC
Code Administrator, relevant Gas
Transporters, Gas Shippers, and
other interested parties

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UNC740 and IGT149 'Amending the Formula Year AQ approach for 2021/2 Formula Year': Urgency Application

On 9 October 2020, the Joint Office of Gas Transporters ("JO") received a request from E.ON (the Proposer) that Uniform Network Code ("UNC") modification UNC740 'Amending the Formula Year AQ approach for 2021/2 Formula Year'¹ should be treated as 'urgent' and proceed under a timetable approved by us.²

The Proposer also raised an equivalent Independent Gas Transporter UNC ("IGT UNC") modification, IGT149 'Amending the Formula Year AQ approach for 2021/2 Formula Year'³ requesting that it should be treated as 'urgent' and proceed under a timetable approved by us.

UNC740 and IGT149 (hereafter "**the modifications**") are identical proposals, with exceptions for where they make UNC or IGT UNC specific references, and with the same case for urgency. Both modifications were raised as the code structure in gas sometimes requires separate UNC and IGT UNC modifications for changes to have effect across all gas supply points.⁴

After considering the justification provided for these urgency requests, we have decided not to grant urgent status for the modifications. We set out our reasons below.

Background

The modifications state that the COVID-19 pandemic has changed the way end users have consumed gas during 2020. The modifications propose to "recognise that 2020 is an exceptional year" and to set the Formula Year Annual Quantities ("**FYAQ**") from April 2021 by reference to Annual Quantities at April 2020, instead of December 2020 which is the usual practice. The Proposer says the reason for this is to "bring stability to the market and to, where possible, reflect 'expected normal' use rather than unprecedented pandemic use".

Our decision on urgency

We have considered the Proposer's justification for urgency in respect of the modifications. We have assessed the requests against the urgency criteria set out in our published

¹ <https://www.gasgovernance.co.uk/0740>

² Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we', 'our' and 'us' are used interchangeably in this letter.

³ <https://www.igt-unc.co.uk/igt149u-urgent-amending-the-formula-year-aq-approach-for-2021-2-formula-year/>

⁴ We welcome that both modifications were raised concurrently and the proposed timetables were aligned. We encourage parties in future, where issues have cross-code impacts, to align modifications as far as possible.

guidance.⁵ The guidance sets out the factors that we will consider in reaching a decision on urgency in the context of industry code modification proposals – it is intended to be illustrative and not exhaustive. Each request for urgency will be considered on its merits on a case by case basis by reference to our guidance, and in circumstances where we depart from it, we will explain the reasons why. Ordinarily we take the view that an urgent modification should be linked to an imminent issue⁶ or a current issue that if not urgently addressed may cause:

- i. A significant commercial impact on parties, consumers or other stakeholder(s); or
- ii. A significant impact on the safety and security of the electricity and/or gas systems, or;
- iii. A party to be in breach of any relevant legal requirements.

In its requests for urgency, E.ON states that:

“the request for Urgency is due to the timing implications; the data to calculate the FYAQ is taken in December of each year... The standard Modification timetable doesn't allow for the Modification to be developed and implemented in time to amend the current dates for calculating the FYAQ. Therefore, Urgent procedures are proposed to allow for an accelerated timeline to progress the Modification as if not addressed quickly (prior to 1st December 2020) this issue could lead to a significant commercial impact on Shippers and Suppliers.”

The Proposer has not provided any evidence or analysis to show that this issue could lead to a significant commercial impact on shippers and suppliers were the modifications not to be made by 1st December this year. For urgency to be justified, it is not sufficient for Proposers to invoke commercial impact. The request should demonstrate that there is a commercial impact and that this impact is “significant”. We conclude that the urgency requests are not justified based on the above criterion (i), as it has not been demonstrated that there may be a significant commercial impact on shippers and suppliers if the issue is not addressed by the 1st December 2020. For this reason, we have decided not to grant urgent status for the modifications. We note that criteria (ii) and (iii) have not been mentioned by the Proposer, nor do we consider them to be relevant to this request.

We note that this issue has been discussed in several UNC Distribution Workgroups, and was first raised at the distribution workgroup on 26 March 2020.⁷ Similar discussions continued at subsequent workgroups on the approach to take regarding the Formula Year Annual Quantity. Had a modification been raised earlier it may have allowed for an assessment of the impacts of this modification and the development of the modification with the usual stakeholder involvement as part of the normal modification process.

For the avoidance of doubt, in reaching our decisions on urgency we have made no assessment of the substance of the proposed modifications, and nothing in this letter in any way fetters the discretion of the Authority in respect of the modifications.

David O'Neill
Head of Gas Systems

Signed on behalf of the Authority and authorised for that purpose

⁵ Ofgem Guidance on Code Modification Urgency Criteria: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>

⁶ The imminent issue may be date related.

⁷ <https://www.gasgovernance.co.uk/sites/default/files/ggf/2020-04/Minutes%20Distribution%2026%20Mar%20v1.0.pdf>