








UNC Modification	At what stage is this document in the process?
<h1>UNC 0746:</h1> <h2><u>Application of Clarificatory change to the AQ amendment process within TPD_G2.3 from 1<sup>st</sup> April 2020</u></h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;">01 Modification</div> <div style="border: 1px solid #17a2b8; padding: 2px; display: flex; align-items: center; justify-content: center;">02 Workgroup Report</div> <div style="border: 1px solid #ffc107; padding: 2px; display: flex; align-items: center; justify-content: center;">03 Draft Modification Report</div> <div style="border: 1px solid #ffc107; padding: 2px; display: flex; align-items: center; justify-content: center;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p><u>Following the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 this modification applies the change to all relevant transactions which occurred from 1<sup>st</sup> April 2020</u></p>	
	<p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> <li>subject to Authority direction due to its materiality</li> <li>assessed by a Workgroup</li> </ul>
	<p>High Impact: Shippers</p>
	<p>Medium Impact: Transporters</p>
	<p>Low Impact: Customers</p>

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Timetable		
<b>The Proposer recommends the following timetable:</b>		
Modification consideration by Panel	17 September 2020	
Initial consideration by Workgroup	24 September 2020	
Workgroup Report presented to Panel	15 April 2021	
Draft Modification Report issued for consultation	15 April 2021	
Consultation Close-out for representations	10 May 2021	
Final Modification Report available for Panel	12 May 2021	
Modification Panel recommendation	20 May 2021	


 Any questions?


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## 1 Summary

### What

The Uniform Network Code (UNC) currently allows for the amendment of a Supply Point Annual Quantity (AQ) when the AQ does not reflect the expected consumption of gas over the following 12-month period. Three 'eligible causes' (G2.3.21) exist which a User can utilise in order to justify the requirement for an AQ amendment. This is intended to cover exceptional circumstances were a "new" Shipper takes over a site and needs to take corrective action.

2.3.20 The Registered User may request a change in the Annual Quantity of a Supply Meter Point on the grounds that the most recently calculated Annual Quantity does not reflect the expected (seasonally adjusted where relevant) consumption of gas over the 12 months following the date of the request due to an eligible cause which occurred after the Read Date of the AQ Opening Reading used in the most recent calculation of the Annual Quantity.

2.3.21 For the purpose of paragraph 2.3.20 "eligible cause" means:

- (a) the confirmed theft of gas (which resulted in the metered consumption in the AQ Metered Period at the Supply Meter Point being less than the actual consumption);
- (b) the installation, replacement or removal of Consumer's Plant which results in a material change in the basis on which gas is consumed; or
- (c) the commencement of a new business activity or discontinuance of an existing business activity at the consumer's premises.

The AQ amendment process, defined by UNC Modification 0432 - Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform and refined by UNC Modification 0610 - Project Nexus - Miscellaneous Requirements, was always meant to be an exceptions process only and not designed to facilitate mass AQ amendment process changes.

This expectation was outlined within the relevant Project Nexus Business Requirements Definition document (BRD) where it stated

"8.6.1 This is an exception process to amend the AQ in certain circumstances. **This process is not to be used for 'normal' AQ increases or decreases whereby the submission of reads will update the AQ over time.**"

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fpublic/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf>

However, we have seen a large-scale utilisation of this process as identified in the NTSCMF (see below)

Report measures the count of Shipper Portfolio of MPRNs where AQ Correction process Used

Changes in total number of AQ corrections used

Reason Code 01-  
Confirmed Theft

↑ 1 Monthly Change

↓ 1 Annual Change

Reason Code 02- Change in  
Consumer Plant

↑ 13674 Monthly Change

↑ 15608 Annual Change

Reason Code 03- Commencement  
of New Business

↑ 1756 Monthly Change

↑ 1760 Annual Change

Reason Code 04-  
Tolerance Change

↑ 152 Monthly Change

↑ 225 Annual Change

We would note that these changes were undertaken at the same time as the industry was seeking to collectively address the adverse impacts of COVID-19. The industry changes relating to the ability to amend customers AQ's and SOQ's (Mod 0721 (Urgent) - Shipper submitted AQ Corrections during COVID-19 & Mod 0725 (Urgent) Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) During COVID-19) were rejected by Ofgem.

This Modification seeks to apply the changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 retrospectively from the 1<sup>st</sup> April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User.

### Why

This Modification seeks to apply the changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 retrospectively from the 1<sup>st</sup> April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User.

### How

This change will also apply retrospectively from the 1 April 2020 thus addressing thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User

## 2 Governance

### Requested Next Steps

This Modification should be:

- Considered a material change and subject Authority Consent
- Assessed by a Workgroup

## 3 Why Change?

This Modification seeks to apply the changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 retrospectively from the 1<sup>st</sup> April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User.

## 4 Code Specific Matters

### Reference Documents

Annual Quantity Business Requirements Definition for Project Nexus V6.0

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fspublic/ggf/Annual%20Quantity%20BRD%20v6.0%20Approved.pdf>  
<https://www.gasgovernance.co.uk/nexus/brd/aq>

### Knowledge/Skills

None required.

## 5 Solution

### Business Rules

BR1: The changes arising from the implementation of UNC 0736S Clarificatory change to the AQ amendment process within TPD G2.3 will be applied retrospectively from the 1 April 2020 i.e. they will cover any relevant AQ corrections effective from the 1 April 2020.

*Guidance: For avoidance of doubt, if following an AQ Correction using reason code 3, the CDSP undertake an investigation and it is identified the AQ Correction is non-compliant, the AQ Correction can be cancelled.*

BR2: Any AQ correction using reason code 3 submitted from 01 April 2020 to the UNC Modification 0736S: Clarificatory change to the AQ amendment process within TPD G2.3 implementation date will be deemed as invalid as per BR1 and BR2 in UNC Modification 0736, unless the User submit within 20 working days, their group details that were effective during this period to evidence the AQ correction was valid.

Where there has been an AQ correction reason code 3 submitted and there is a change or amendment to any group arrangements since the 1 April 2020, which amended the Affiliate % level previously notified such that the AQ correction validity crosses the 25% threshold, the User is responsible for notifying the CDSP of such change, including the dates on which they were in effect.

**Guidance:**

*Business Rules from UNC Modification 0736S: Clarificatory change to the AQ amendment process within TPD G2.3 referenced above*

*BR1: A change is required to UNC TPD G2.3.24(b) to disallow a User making an AQ amendment under TPD G2.3.21(c) where the incoming User is a 25% or greater Affiliate of the outgoing User.*

*BR2: Until Users have confirmed group details to the CDSP, as per BR1 (this should include where they are grouped or confirmation they do not have a group), any User submitted AQ Corrections utilising reason code 3 (TPD G2.3.21(c)) will not be classed as valid.*

*The implementation date of modification 0736S was 05:00 on 14 January 2021.*

BR3: Where the relevant shipper has submitted a valid AQ amendment subsequent to the 1 April 2020 then the current AQ will be retained, albeit the relevant charges will continue to apply.

BR4: In the absence of any or insufficient evidence under BR2, the User will be requested to submit a further AQ Correction to take effect within 2 months of the Modification implementation. Where the User fails to do so, the CDSP may do so on their behalf at the User's expense. Once the revised AQ has become effective, the CDSP shall adjust the Capacity Charges for the period that the invalid AQ was effective such that the charges applied will be as if the invalid AQ Correction was never effective.

BR5: For all relevant AQ Corrections at sites where the User has changed since 1 April 2020 (with affiliation determined above), and no AQ Correction has been submitted by the current User since taking ownership of the site, the CDSP will contact the current User and request an AQ Correction is submitted to reverse the AQ or submit evidence to the CDSP that the current AQ is valid within 20 working days of receipt of the request from the CDSP. Where the relevant User fails to either submit an AQ Correction or submit evidence to the CDSP that the current AQ is valid within 20 working days, the CDSP may submit an AQ correction on their behalf at the User's expense.

BR6: Where BR5 applies and where the User has changed since 01 April 2020, then for the User who initially submitted the invalid AQ correction (regardless whether the subsequent User demonstrates that this AQ correction would have subsequently been valid under this Modification), the CDSP shall adjust the Capacity Charges for the period that the invalid AQ correction was effective such that the charges applied will be as if the invalid AQ correction was never effective.

**Commented [ER1]:** Assuming if the User that submitted the AQ correction in question could evidence it was valid, no further action is required for these sites?

**Commented [ER2]:** Assuming this is normal BAU activity as in the AQ correction is valid and the Registered User is charged for capacity accordingly. Assuming no additional action is required because of this Business Rule. Is that correct?

**Deleted:** one calendar month

**Commented [ER3]:** Proposed updated timescale to 20 working days for consistency with the rest of the Business Rule.

**Commented [ER4]:** To confirm, is this saying that where the initial AQ correction has been deemed invalid, but the new User has evidenced, (through their affiliated position) that, had they submitted the AQ correction it would have been valid, the previous User that submitted the invalid AQ correction would be charged?

## 6 Impacts & Other Considerations

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

No impact identified

#### Consumer Impacts

This Modification seeks to apply these arrangements retrospectively from the 1 April 2020 thus remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User which will ultimately be borne by consumers of other Users.

#### Cross Code Impacts

No impact

#### EU Code Impacts

No impact

#### Impacts and other considerations continued

#### Central Systems Impacts

[A change will be required to identify the AQ corrections in question and a process implemented to manage these depending on their circumstance. A DSC Change Proposal has been raised to deliver the solution for Modification 0746 \(XRN5286\).](#)

## 7 Relevant Objectives

### Impact of the modification on the Relevant Charging Methodology Objectives::

Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: (i) no reserve price is applied, or (ii) that reserve price is set at a level - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers;	None

b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	None
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	Positive
d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
e) 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

#### Relevant Charging Methodology Objective

We believe the proposal is positive in respect of Relevant Charging Methodology Objective (C) as by applying these arrangements retrospectively from the 1 April 2020 and remedying the detrimental transfer of costs (estimated for Cadent at £3.9m for revenues in 2020/21 but also financially impacting other Networks) to other Users arising from the use of these arrangements by a User which will ultimately be borne by consumers it further improves cost reflectivity of capacity charges by better aligning them with a customer's actual system usage, thereby furthering competition between Shipper and Suppliers.

## 8 Implementation

We are not proposing a specific implementation date, but it would be beneficial to implement the change as soon as authority direction has been received.

## 9 Legal Text

Legal text is to be provided.

## 10 Recommendations

### Proposer's Recommendation to Workgroup

- The Workgroup is asked to assess this Modification.