



Making a positive difference
for energy consumers

UNC Panel Chair, the Joint Office,
relevant Gas Transporters, Gas
Shippers, and other interested

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Date: 23 December 2021

Dear Wanda and colleagues,

UNC modification proposal UNC0797: 'Last Resort Supply Payments Volumetric Charges' – decision on urgency

We¹ have received a request from Corona Energy (The Proposer) that Uniform Network Code (UNC) modification proposal UNC0797: Last Resort Supply Payments Volumetric Charges (hereafter "UNC0797") should be given urgent status and follow expedited modification procedures.² This letter confirms that we have agreed to that request, and sets out the timetable under which the modification will proceed.

Background

The unprecedented increase in global gas prices is putting financial pressure on suppliers and gas shippers. With the recent developments in the energy sector, we have seen more suppliers failing and on 1 December we published a decision on temporary changes to the process for a SoLR to make a claim for a Last Resort Supply Payment. This has highlighted the need to ensure that SoLR costs are recovered from the relevant consumers.

¹ 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.

² <https://www.ofgem.gov.uk/publications/authority-decision-send-back-uniform-network-code-unc-687-unc687-creation-new-charge-recover-last-resort-supply-payments-0>

On 7 December 2021, we published our minded to position on UNC0687.³ This modification was aiming to allocate SoLR costs to the market sector they originated from, through a fixed charge.

The modification proposal

UNC0797 proposes to allocate SoLR costs to the market sector where the costs were incurred. However, it proposes that a volumetric process is used to determine the unit rates, instead of a flat standing charge. This is expected to help further apportion costs in relation to usage, ensuring that smaller users of gas pay a lesser charge than larger users.

UNC Modification Panel View

Given the circumstances, we have not on this occasion sought a formal UNC Panel view on the proposals, as allowed for under paragraph 10.1.1(b) of the Modification Rules.⁴

Authority Decision

We have considered the proposer's justification for urgency for the modification proposal, as the modification relates to an imminent time related event currently passing through a material value through the LRSP for recovery via charges in 2022/23.

We have assessed the request against the urgency criteria set out in Ofgem's published 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. In general, we consider that an urgent modification should be linked to an imminent issue⁶ or a current issue that, if not urgently addressed, may cause a:

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

We consider this modification is linked to an imminent issue which if not urgently addressed would have significant commercial impact on consumers and parties.

³ [Authority decision to 'send back' Uniform Network Code \("UNC"\) 687 \("UNC687"\): 'Creation of new charge to recover Last Resort Supply Payments' | Ofgem](#)

⁴ UNC Modification Rules: www.gasgovernance.co.uk/sites/default/files/Modification%20Rules_13.pdf

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

⁶ The imminent issue may be date related.

The Proposer considers that in order for the modification to come into effect from 1 April 2022, urgent procedures should be followed, so that any direction to implement would be required with sufficient time for Gas Transporters to publish their prices on 31 January 2022.

While we have not made a judgement on the merits of this proposal specifically, we consider that it is appropriate to urgently consider the option of a volumetric approach to recovering SoLR costs. We consider that this modification creates an additional option that should be evaluated by the Authority alongside the UNC0687 proposal, to determine the best approach of recovering SoLR costs. We are satisfied that the modification proposal will need to be progressed and responded to appropriately in a timely manner to allow the modification to take effect in April 2022, if considered appropriate.

We consider this proposal to be an alternative to UNC0687, and hence we would encourage the Final Modification Report (FMR) on this proposal to come to Ofgem for decision at the same time as the FMR for UNC0687. We have therefore agreed that the modification proposal should follow the urgent timetable as set out below.

The timeline is as follows:

Process	Date
Ofgem Decision on Urgency	23 December 2021
Modification Proposal issued for Consultation	23 December 2021
Consultation Close-out for representations	4 January 2022
Final Modification Report available for Panel	5 January 2022
Modification Panel recommendation	12 January 2022
Final Modification Report issued to Ofgem	12 January 2022
Ofgem Decision expected by	20 January 2022

While we have accepted the timeline as recommended by the proposer, we expect to see evidence in the FMR that the solution is implementable, and the Joint Office to ensure those parties impacted by the proposal are suitably consulted.

We therefore agree that the modification should follow the urgent timetable as set out by the Proposer. However, we recognise that this timeline – and in particular the window for consultation – is very short and over a period where many people may not be available to fully participate. All possible efforts will have to be made to ensure that the engagement is constructive and efficient, and that stakeholders who might otherwise experience difficulty

engaging in the consultation are proactively approached. In particular, we would like end-user impacts to be considered and represented.

In reaching our decision on urgency we have made no assessment of the substance of the proposed modification and nothing in this letter in any way fetters the discretion of the Authority.

Yours sincerely,

David Hall
Head of Codes and Licensing