










UNC Modification	At what stage is this document in the process?
<h1 data-bbox="134 322 657 414">UNC 0809:</h1> <h2 data-bbox="134 450 1125 656">Distribution of Last Resort Supplier Payment (LRSP) claims to include IGT sites</h2>	<div data-bbox="1209 309 1469 629"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid #00a651; background-color: #e0f2f1; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid #00a651; background-color: #e0f2f1; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid #00a651; background-color: #e0f2f1; padding: 5px;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>To add clarity to code specifying that charges resulting from the Supplier of Last Resort (SoLR) are distributed to all end supply meter points, regardless of whether on an Independent Gas Transporter (IGT) Connected System Exit Point (CSEP) or directly connected to a Distribution Network (DN).</p>	
<p>Next Steps:</p> <p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> • considered a non-material change and is therefore subject to Self-Governance • assessed by a Workgroup • proceed to Consultation <p>This Modification will be presented by the Proposer to the Panel on 16 June 2022. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
<p>Impacted Parties: <i>It should be noted that any impact is in relation only to clarity, as there is no actual change to code and therefore obligations or impacts.</i></p> <p>High: IGTs, Consumers</p> <p>Low: Shippers, Suppliers, DNOs</p> <p>None: NTS</p>	
<p>Impacted Codes:</p> <p>Whilst this proposal adds clarity around how the IGTs CSEP Supply Meter Points are treated; how LRSP payments are managed is dealt with under the UNC, therefore there is no required change to the IGT UNC. No other cross code impacts have been identified.</p>	

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7	Relevant Objectives	7	 trsaunders@notherngas.co.uk
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Timetable			 telephone
Modification timetable:			Systems Provider: Xoserve
Pre modification (Distribution Workgroup)	28 April 2022		 UKLink@xoserve.com
Date Modification Raised	01 June 2022		Other: N/a
New Modification to be considered by Panel	16 June 2022		 email address
First Workgroup Meeting	23 June 2022		 telephone
Workgroup Report to be presented to Panel	21 July 2022		
Draft Modification Report issued for consultation	21 July 2022		
Consultation Close-out for representations	11 Aug 2022		
Final Modification Report available for Panel	12 Aug 2022		
Modification Panel decision	18 Aug 2022		

1 Summary

What

Urgent UNC Modification 0797 (Last Resort Supply Payments Volumetric Charges) was approved by The Authority in January 2022. Modification 0797 created a new charge type to pass Last Resort Supply Payments (LRSP) charges from Gas Distribution Network Operators (DNO) to Shippers based on the originating market sector using a volumetric unit rate charging methodology.

Modification 0797 solution was based on a system design developed for Modification 0687V (which was rejected for implementation). This has resulted in the approved Modification 0797s' original system solution being aligned to the solution build for 0687V, which did not include IGT CSEPs Supply Meter Points in the way the LRSP costs are distributed back through the industry supply chain. This proposed Modification 0809 amends the system build to ensure that charges are shared to all relevant Supply Meter Points, including those contained in an IGT CSEP, for 2023/2024 DN charging year onwards.

For the current DN charging year Ofgem have issued a letter¹ to all IGTs, dated 11 March 2022, which provides consent for IGTs to recover LRSP claims via their Transportation Charges. This will, in turn, result in a price change being applied by the DNOs from October 2022 reducing the LRSP part of DNO charges to take into account the IGT recovery value. The intent being that by the end of the 2022/2023 DN charging year all end Supply Meter Points, for the relevant market sector, will have had the same value applied. Ofgem have also issued an open letter² dated 20 April 2022 consulting on three options for the recovery for the current year.

The above-mentioned consent by Ofgem is an interim measure, without which the Supply Meter Points which are directly connected to the DNs would bear the entire share of costs, with Supply Meter Points that are connected via an IGT network bearing none of the cost; resulting in a cross subsidy against DN connected Supply Meter Points. The above-mentioned open letter also advises what the preferred solution is for the enduring solution for 2023/24 onwards, being that the LRSP claims to be paid only by DNs. This proposed Modification proposal adds clarity in line with this preferred enduring solution.

The system changes will be in place for the 2022/2023 DN charging year onwards. UNC does not specifically exclude these charges being shared across all Supply Meter Points, including IGT CSEPs, and prior to the current solution as being introduced by Modification 0797, IGT CSEPs have also paid their fair share of LRSP costs through DNO prices. This proposed Modification proposal 0809 adds clarity to UNC around the fact that the new methodology, introduced by Modification 0797, will continue to include IGT CSEP Supply Meter Points.

Why

All customers, whether connected via to an IGT CSEP or directly connected to a DN are afforded the same protection in the event of a SoLR appointment. Therefore, it is only fair that all customers, whether connected via to an IGT CSEP or directly connected to a DN, bear the costs of the impact of any SoLR events equally.

¹ <https://www.ofgem.gov.uk/publications/recovery-igts-last-resort-supply-payment-lrsp-claims-arising-failed-suppliers>

² <https://www.ofgem.gov.uk/publications/recovery-gas-transporters-last-resort-supply-payments>

How

This proposed Modification is looking to add clarity to the existing UNC to confirm that LRSP is recovered from all relevant Supply Meter Points including when connected via an IGT CSEP.

This proposed Modification is only adding additional clarity, and therefore we believe it could be sent to 1 workgroup for transparency, so that all parties have clarity around how these Charges are processed. This is in part due to the volume of SoLRs that have been experienced in the past year, which has in 2022/2023, and will continue to for 2023/2024, resulted in a high value of LRSP claims that are being passed through, (circa £900m for gas³ process in 2022/23).

For the avoidance of doubt, this Modification does not look to make any changes to the split between domestic and non-domestic recovery.

2 Governance

Justification for Self-Governance

- This Modification does not make any material changes to UNC, it only adds clarity to the existing Code.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance.
- be assessed by a Workgroup for 1 month.
- proceed to Consultation.

As this Modification is to add clarity to existing UNC, we believe that only 1 workgroup, for additional transparency, is appropriate.

It should be noted that The Authority are supportive of any additional clarity in relation to their preferred enduring solution, around the fact that all relevant MPRNs are treated equally in relation to LRSP charges; this Modification proposal aligns with this intent. Should Ofgem announce that they are no longer looking to proceed with their preferred enduring solution, the proposer confirms that this Modification will be withdrawn.

3 Why Change?

All customers, whether connected via an IGT CSEP or directly connected to a DN are afforded the same protection in the event of a SOLR appointment. Therefore, it is only fair that all customers, whether connected via an IGT CSEP or directly connected to a DN, bear the costs of the impact of any SoLR events equally.

Current DN charging year:

Due to the alignment of Modification 0797 (Creation of new charge to recover LRSPs) to the build for (rejected) Modification 0687V (Creation of new Charge to recover Last Resort Supply Payments) this had initially resulted in relevant MPRNs that are connected via an IGT not being included in the meter point count for the calculation of charges, nor for the charges to be passed on to these customers via the IGTs. The result is the current system,

³ <https://www.gasgovernance.co.uk/indic/2022>

which is not aligned with how LRSP charges have previously been recovered, has not only has resulted in a higher charge per MPRN (due to the same value being divided between fewer MPRNs) but has also resulted in a different treatment of end consumers depending on whether they are connected directly to a DN, or via an IGT.

The system changes (under XRN 4992b) are due to be implemented ensuring that charges are shared to all relevant MPRNs, including IGT CSEP, for 2023/2024 DN charging year onwards. Note that XRN4992b is not dependant on this Modification 0809.

As mentioned above, Ofgem have issued a letter to all IGTs, providing consent for IGTs to recover LRSP claims via their Transportation Charges for the current DN charging year. Ofgem have consulted on options for this, stating their preferred solution is an in-year price change being applied by the DNs from October 2022 reducing the LRSP part of DN charges to take into account the IGT recovery value. The intent being that by the end of the 2022/2023 DN charging year all end meter points (MPRNs), for the relevant market sector, will have had the same value applied. The approach for the current year is stated in the June 2022 letter from Ofgem⁴ below. Please note this Modification does not look to impact the current year, this information is only provided for context.

The above mentioned consent to IGTs by Ofgem is an interim measure, without which the MPRNs which are directly connected to the DNs would bear the entire share of costs, with MPRNs that are connected via an IGT bearing none of the cost; resulting in the total cost being split between fewer MPRNs causing the DN connected MPRNs receiving a higher charge, whilst the IGT connected MPRNs receive no charge, whilst still being afforded the same protection in the event of a SoLR.

DN charging year 2023/24 onwards

The decision letter from Ofgem⁴ states *'This letter sets out our decision for the interim solution. Industry has raised a uniform network code (UNC) modification (0809) which seeks to address the enduring solution. Ofgem will consider the UNC modification in due course.'*

The new system changes (XRN 4992b⁵) will be in place for the 2023/2024 DN charging year onwards. These allow for the recovery of the LRSP charges to include all relevant supply points including IGT supply points. This is aligned with how LRSP costs were recovered prior to as the implementation of UNC Modification 0797. With Ofgem's open letter¹ above to IGTs ensuring that IGT supply points also pay towards LRSP in the current year, there will be consistency relating to whether IGT supply points pay towards LRSP charges in prior, current and future years.

We feel it is best practice to ensure that UNC is explicit in this matter, providing clarity and certainty which we believe is beneficial to all interested parties: Therefore this Modification proposal 0809 adds clarity to UNC around the fact that the new methodology, that was introduced by Modification 0797, will continue to include IGT Supply Points and, if implemented, will remove any potential ambiguity in the interpretation.

4 Code Specific Matters

Reference Documents

UNC and DNO Charging statements.

⁴ <https://www.ofgem.gov.uk/publications/decision-letter-about-recovery-last-resort-supply-payment-claims-customers-connected-gdn-and-igt-networks>

⁵ <https://www.xoserve.com/media/43295/xrn4992b-detailed-design.docx>

Knowledge/Skills

Knowledge of UNC, (including section Y part B – DN charging methodology), Licence conditions in relation to LRSP payments.

Awareness of the letters from Ofgem in relation to the IGT LRSP charges (see footnotes on prior pages).

5 Solution

Change to UNC for clarity

TPD Section Y Charging Methodologies

Part B – DN Transportation Charging Methodology

Amend following definitions in paragraph 11.3 to give additional clarity.

- DSP is the number of ~~LDZ System Exit Supply~~ Points, including IGT CSEP-meterSupply ~~points~~Points, on a DN Operator's System on the Relevant Date where the Supply Point Premises are Domestic Premises ("**Relevant DSP Sites**");
- TSP is the total number of ~~LDZ System ExitSupply~~ Points, including IGT CSEP-meterSupply ~~points~~Points, on a DN Operator's System on the Relevant Date;
- NDSP is the number of ~~LDZ System ExitSupply~~ Points, including IGT CSEP-meterSupply ~~points~~Points, on a DN Operator's System on the Relevant Date where the Supply Point Premises are Non-domestic Premises ("**Relevant NDSP Sites**");

6 Impacts & Other Considerations

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

No

Consumer Impacts

This Modification gives clarity around impacts to end consumers around ensuring that all relevant Supply Meter Points, regardless of whether connected directly or via an IGT CSEP, are treated the same with reference to the passthrough of LRSP charges incurred by SoLR events.

What is the current consumer experience and what would the new consumer experience be?

This Modification adds clarity to the UNC that all relevant Supply Meter Points, whether directly connected to the DN or connected via and IGT CSEP are treated equally in relation to LRSP costs.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability N/a	None
Lower bills than would otherwise be the case Should the system build not have been aligned with code and the pre 0797 build in relation to recovery of charges, this would have resulted in a higher charge to the DN connected Supply Meter Points. This modification adds clarity around charges being applied equally to both DN connected and IGT CSEP Supply Meter Points	Positive
Reduced environmental damage N/a	None
Improved quality of service This clarifies that relevant Supply Meter Points are treated equally with reference to the passthrough of LRSP claims, which aligns to the equal treatment the associated customers are afforded under the SoLR regime.	Positive
Benefits for society as a whole N/a	None

Cross-Code Impacts

Whilst this proposal adds clarity around how the IGTs CSEP Supply Meter Points are treated; how LRSP payments are managed is dealt with under the UNC, therefore there is no required change to the IGT UNC.

EU Code Impacts

None.

Central Systems Impacts

The CDSP will be required to be able to process LRSP claims through to all relevant MPRNs, regardless of whether DN connected or via IGT CSEP, 2023 DN charging year onwards. This is being managed as part of the system design for Modification 0797 under XRN 4992b⁵ above

7 Relevant Objectives

Impact of the Modification on the Transporters' Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of	None

(i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	
c) Efficient discharge of the licensee's obligations.	Positive
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.	None
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.	Positive
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

Section Y (Charging Methodology) Modifications

Impact of the Modification on the Transporters' 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;	Positive
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	None
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 objective f) *Promotion of efficiency in the implementation and administration of the Code* is furthered by both adding clarity to UNC, and by the alignment of CDSP systems.

Relevant objective c) *Efficient discharge of the licensee's obligations* and relevant charging objective 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* are furthered as it under licence Distribution Networks are to remain cost neutral in relation to LRSP claims, and are to pass these costs through to the relevant customer base (as directed by Ofgem) in accordance with Standard Special Condition A48 of the DN operator's Transporters Licence. This is based on the principle that all end Supply Meter Points, whether directly connected to the DN, or via an IGT CSEP are treated equally under the SoLR regime, so equally bear the cost of any valid LRSP claims.

8 Implementation

To avoid confusion in relation to the open letter from Ofgem around consent for IGTs to recover during the current DN charging year, it is suggested that this Modification has an effective implementation date no sooner than 01 April 2023.

9 Legal Text

Text Commentary

The text will provide clarity of terminology to align with existing UNC defined terms, The addition of 'including IGT Supply Point' will give clarity in code that these are included.

Text

Change to UNC for clarity

TPD Section Y Charging Methodologies

Part B – DN Transportation Charging Methodology

Amend paragraph 11.3 as shown below.

11.1 SoLR Customer Charges are payable following receipt by a DN Operator of a valid claim (as defined in Standard Special Condition A48 of the DN Operator's Transporter's Licence ("**Condition A48**")) from a supplier.

11.2 In respect of a valid claim:

- (a) "**Relevant Date**" is the date of the Authority's last resort supply direction to the supplier who submitted the valid claim;
- (b) "**Specified Amount**" is the amount specified by the supplier in the valid claim.

11.3 In respect of a Specified Amount, the "**Domestic Component**" and the "**Non-domestic Component**" are the amounts notified to a DN Operator by the Authority, or in the absence of such notification:

(a) the Domestic Component is:

$$SA * (DSP / TSP)$$

where:

SA is the Specified Amount;

DSP is the number of ~~LDZ System Exit~~Supply Points, including IGT ~~CSEP meter~~Supply Points, on a DN Operator's System on the Relevant Date where the Supply Point Premises are Domestic Premises ("**Relevant DSP Sites**");

TSP is the total number of ~~LDZ System Exit~~Supply Points, including IGT ~~CSEP meter~~Supply Points, on a DN Operator's System on the Relevant Date;

(b) the Non-domestic Component is:

$$SA * (NDSP / TSP)$$

where:

NDSP is the number of ~~LDZ System Exit~~Supply Points, including IGT ~~CSEP meter~~Supply Points, on a DN Operator's System on the Relevant Date where the Supply Point Premises are Non-domestic Premises ("**Relevant NDSP Sites**");

and where SA and TSP have the meaning in paragraph (a).

11.4 Each Shipper User shall pay a DN Operator SoLR Customer Charges in the Relevant Year the unit rate for which shall be calculated separately for Relevant DSP Sites and Relevant NDSP Sites by reference to:

- (a) for Relevant DSP Sites, the Domestic Component (expressed in pence) and the aggregate peak day SOQ for all Relevant DSP Sites;
- (b) for Relevant NDSP Sites, the Non-domestic Component (expressed in pence) and the aggregate peak day SOQ for all Relevant NDSP Sites.

11.5 SoLR Customer Charges shall be calculated separately for each valid claim received by a DN Operator; provided for the purposes of invoicing the DN Operator may aggregate such charges where SoLR Customer Charges in respect of more than one valid claim are payable by Shipper Users in the same Relevant Year.

11.6 The "**Relevant Year**" is the year (as defined for the purposes of Condition A48) in respect of which a DN Operator is, following receipt of a valid claim, entitled to increase its transportation charges pursuant to Condition A48.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Self-Governance should apply.
- Refer this proposal to 1 Workgroup for transparency.