








UNC Final Modification Report	At what stage is this document in the process?
<h1>UNC 0809:</h1> <h2>Distribution of Last Resort Supplier Payment (LRSP) claims to include IGT sites</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 01 Modification </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 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 Panel determined that this Modification should be recommended for implementation.</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 Low: Shippers, Suppliers, DNOs 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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Timetable		 enquiries@gasgovernance.co.uk
Modification timetable:		 0121 288 2107
Pre modification (Distribution Workgroup)	28 April 2022	Proposer: Tracey Saunders Northern Gas Networks
Date Modification Raised	01 June 2022	 trsaunders@notherngas.co.uk
New Modification to be considered by Panel	16 June 2022	Transporter: Tracey Saunders Northern Gas Networks
First Workgroup Meeting	23 June 2022	 trsaunders@notherngas.co.uk
Workgroup Report to be presented to Panel	21 July 2022	 telephone
Draft Modification Report issued for consultation	21 July 2022	Systems Provider: Xoserve
Consultation Close-out for representations	12 August 2022	 UKLink@xoserve.com
Final Modification Report available for Panel	15 August 2022	
Modification Panel decision	15 September 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.
- proceed to Consultation.

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.

Workgroup's Assessment

Some Workgroup participants believed that this Modification does not meet the Self Governance criteria because it deals with a large sum of money and is based on an Ofgem letter relating to the current year, so it follows that Ofgem should direct this Modification too.

Some Workgroup participants noted the wording in the Ofgem letter (see extract below) which may indicate Ofgem wish to consider the Modification themselves.

This letter sets out our decision for the interim solution. Industry has raised a uniform network code (UNC) modification⁵ which seeks to address the enduring solution. Ofgem will consider the UNC modification in due course.

Workgroup considered that a consultation question regarding governance may be appropriate in this case.

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

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, which is not aligned with how LRSP charges have previously been recovered, has not only 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.

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>

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.

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.

<ul style="list-style-type: none"> ○ DSP is the number of Supply Points, including IGT 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 Supply Points, including IGT Supply Points, on a DN Operator's System on the Relevant Date; ○ NDSP is the number of Supply Points, including IGT Supply Points, on a DN Operator's System on the Relevant Date where the Supply Point Premises are Non-domestic Premises ("Relevant NDSP Sites"); 	<p>Tracey Saunders Deleted: LDZ System Exit</p> <p>Tracey Saunders Deleted: CSEP meter</p> <p>Tracey Saunders June 15, 2022 Deleted: points</p> <p>Tracey Saunders Deleted: LDZ System Exit</p> <p>Tracey Saunders Deleted: CSEP meter</p> <p>Tracey Saunders Deleted: points</p> <p>Tracey Saunders Deleted: LDZ System Exit</p> <p>Tracey Saunders Deleted: CSEP meter</p> <p>Tracey Saunders Deleted: points</p>
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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
<p>Improved safety and reliability</p> <p>N/A</p>	None
<p>Lower bills than would otherwise be the case</p> <p>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</p>	Positive
<p>Reduced environmental damage</p> <p>N/A</p>	None
<p>Improved quality of service</p> <p>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.</p>	Positive
<p>Benefits for society as a whole</p> <p>N/A</p>	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

Rough Order of Magnitude (ROM) Assessment

No ROM required for this Modification as the Change is already covered by XRN 4992b (for Modification 0797).

Panel Questions

No specific questions raised.

Workgroup Impact Assessment

Workgroup heard clarification that the Modification is to be effective from the Regulatory Year (or DN Charging Year) i.e. from April 2023 onwards (not Gas Year).

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

The Ofgem letter contains reference to the Proposed Modification, the letter sets out the approach and this Modification implements it from 01 April 2023.

Workgroup heard from the Proposer that there are no performance assurance impacts.

Workgroup considered whether the Modification is suitable for Self-Governance noting that the Modification is implementing what is set out in Ofgem's letter.

The Modification maintains the status quo (as directed by Ofgem) which is that IGT will continue to be charged. Without this Modification it is unclear in Code, however the system change is in process because it is associated with Modification 0797 which continues to allocate charges to IGTs. This Modification formalises the change and provides certainty going forward.

Some Workgroup Participants believed that this Modification does not meet the Self Governance criteria because it deals with a large sum of money and is based on an Ofgem letter relating to the current year, so it follows that Ofgem should direct this Modification too.

Some Workgroup participants noted the wording in the Ofgem letter which may indicate Ofgem wish to consider the Modification themselves.

This letter sets out our decision for the interim solution. Industry has raised a uniform network code (UNC) modification⁵ which seeks to address the enduring solution. Ofgem will consider the UNC modification in due course.

Workgroup considered that a consultation question regarding governance may be appropriate in this case.

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 (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
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.

Workgroup Assessment of Relevant Objectives

Workgroup Participants agreed with the Proposer's views expressed above.

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

Legal Text has been provided by Northern Gas Networks and is included below.

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 Insert text here

10 Consultation

Panel invited representations from interested parties on 21 July 2022. All representations are encompassed within the Appended Representations section.

The following table provides a high-level summary of the representations. Of the 5 representations received 4 supported implementation, and 1 provided comments.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Relevant Charging Methodology Objectives
ES Pipelines	Support	c) positive f) positive	a) positive
Northern Gas Networks	Support	c) positive f) positive	Not Provided
SGN	Comments	c) negative f) negative	a) negative
SSE Energy Supply Ltd	Support	c) positive f) positive	a) positive
Wales & West Utilities	Support	c) positive f) positive	Not Provided

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

Discussion

The Panel Chair summarised that Modification 0809 would 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).

Panel Members considered the representations made noting that, of the 5 representations received 4 supported implementation, and 1 provided comments.

All Panel Members agreed with respondents and the Proposer that this Modification would offer the same protection to all customers in the event of a SoLR appointment, with all relevant customers equally bearing the costs of the impact of any SoLR events. In addition, the Modification adds clarity to the UNC in relation to IGT sites being included in LRSP claim calculations and their corresponding charges from April 2023. This clarity is in line with both the open letters from Ofgem in relation to the current charging year, and with how IGT sites were treated prior to April 2022.

Views on Self Governance

Panel Members agreed that the Modification does not meet the Self Governance criteria due to the expectation from Ofgem within their response to the “IGT LRSP Open Letter” that their expectation is for a review of the proposed Modification 0809.

Implementation

Panel Members agreed that implementation should ideally be 1st April 2023 to align with the next DN charging year. This may be impacted by the change of governance of the Modification to Authority Direction and Ofgem should note the lead times required to implement this Modification for 01 April 2023. Currently the expectation is that systems implementation will be accommodated in the February 2023 release.

Cross Code Impacts

The IGT-UNC representative confirmed there is no direct cross code impact, though there are effects which will be felt by IGT Users.

Consideration of the Relevant Objectives

Panel Members agreed that the appropriate Relevant Objectives for this Modification are c) and f) from the Standard Relevant Objectives and a) from the Charging Relevant Objectives.

Some Panel Members considered Standard Relevant Objective c) Efficient discharge of the licensee's obligations, agreeing that implementation would have a positive impact because...

- It distributes costs fairly and in line with Ofgem's intent in its open letter issued for recovery of LRSP costs from IGTs⁶.
- It adds clarity to the UNC in relation to IGT sites being included in LRSP claim calculations and their corresponding charges from April 2023. This clarity is in line with both the open letters from Ofgem in relation to the current charging year, and with how IGT sites were treated prior to April 2022.

Some Panel Members noted that the Independent Gas Transporters already have the licence condition to recover Last Resort Supplier Payments from their system users therefore this modification does not further the Relevant Objective as it is not efficient to reinstate an obligation on Transporters to fulfil this process. There is no obvious reason why the IGTs should not pass these LRSP payments directly to the LRSP recipient. If all Transporters (including IGTs) recover the respective percentage of LRSP based on their own meter point volumes, this would prove a fairer method of proportioning the SoLR claims as well as providing a greater degree of transparency to the industry when Transporters set their charges.

All Panel Members considered Standard Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code, agreeing that implementation would have a positive impact because...

- There is likely to be a marginal reduction in work for Shippers in that they do not have to make SoLR payments to IGTs; however, this interpretation of Code is ambitious because IGT invoicing is covered by the IGT UNC not the UNC itself.

⁶ Open letter regarding recovery of LRSP payment claims March 2022:
<https://www.ofgem.gov.uk/publications/recovery-igts-last-resort-supply-payment-lrsp-claims-arising-failed-suppliers>

- It adds clarity to the UNC in relation to IGT sites being included in LRSP claim calculations and their corresponding charges from April 2023. This clarity is in line with both the open letters from Ofgem in relation to the current charging year, and with how IGT sites were treated prior to April 2022.

A Panel Member considered Charging Relevant 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; agreeing that implementation would have a positive impact because...*

- The charges are paid out by GDNs so they are costs incurred by the Transporter.

A Panel Member believed that, because SoLR charges are not transportation charges, Charging Relevant Objectives are not appropriate for this Modification. This ties in with the WWU consultation representation.

Determinations

Panel Members voted unanimously that Modification 0809 does not meet the Self Governance Criteria.

Panel Members voted unanimously that Modification 0809 does not have an SCR impact.

Panel Members voted unanimously that no new issues were identified as part of consultation.

Panel Members voted with 13 votes in favour (out of a possible 14) agreeing to recommend implementation of Modification 0809.

12 Recommendations

Panel Determination

Panel Members agreed:

- that Modification 0809 should be recommended for implementation.

13 Appended Representations

Representation – ES Pipelines

Representation – Northern Gas Networks

Representation - SGN

Representation – SSE Energy Supply Ltd

Representation – Wales & West Utilities

Representation - Draft Modification Report UNC 0809S

Distribution of Last Resort Supplier Payment (LRSP) claims to include IGT sites

Responses invited by: **5pm on 12 August 2022**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Brandon Rodrigues
Organisation:	ES Pipelines
Date of Representation:	12 th August 2022
Support or oppose implementation?	Support
Relevant Objective:	c) Positive f) Positive
Relevant Charging Methodology Objective:	a) Positive

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We support this modification as it will treat all gas customers equally, regardless of whether they are on an IGT or large transporter network. This will lead to more equitable treatment within a long term solution that is in line with Ofgem's intent in the open letter issued for recovery of LRSP costs from IGTs.

Self-Governance Statement: Please provide your views on the self-governance statement.

Yes, we agree that this modification satisfies the criteria for self-governance.

Implementation: What lead-time do you wish to see prior to implementation and why?

We agree that implementation should be 1st April 2023 to align with the next DN charging year.

Impacts and Costs: What analysis, development and ongoing costs would you face?

We would not face any costs from the implementation of this modification.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes, we are confident that the proposed legal text delivers the intent of the solution.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

We have not identified any errors or omissions for consideration in this modification report.

Please provide below any additional analysis or information to support your representation

No further comments.

Joint Office

Enquiries@gasgovernance.co.uk

2nd August 2022

Dear Joint Office,

Re: 0809S - Distribution of Last Resort Supplier Payment (LRSP) claims to include IGT sites

Thank you for the opportunity to provide representation on the above noted Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change.

NGN supports this Modification Proposal.

Reason for support

We support this Modification as it adds clarity to the UNC in relation to IGT sites being included in LRSP claim calculations and their corresponding charges from April 2023. This clarity is in line with both the open letters from Ofgem in relation to the current charging year, and with how IGT sites were treated prior to April 2022. We therefore believe that this modification furthers Relevant Objectives *c) efficient discharge of the licensee's obligations* and *f) Promotion of efficiency in the implementation and administration of the Code*.

Implementation:

As Self-Governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no appeal being raised.

Impacts and Costs:

None identified.

Legal Text:

We believe the legal text provided should deliver the Solution set out in the modification.

Are there any errors or omissions in this Modification Report that you think should be taken into account?

None identified.

Please provide below any additional analysis or information to support your representation

No further comments.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

Tracey Saunders (via email)

Market Services Manager

Mobile: 07580 215 743

Smell gas?

Call the National Gas Emergency

Service on 0800 111 999

Representation - Draft Modification Report UNC 0809S

Distribution of Last Resort Supplier Payment (LRSP) claims to include IGT sites

Responses invited by: 5pm on 12 August 2022

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	David Mitchell
Organisation:	Scotland Gas Networks Ltd and Southern Gas Networks Ltd
Date of Representation:	12 th August 2022
Support or oppose implementation?	Comments
Relevant Objective:	c) Negative f) Negative
Relevant Charging Methodology Objective:	a) Negative

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

SGN is unable to offer its support to this modification as the Independent Gas Transporters already have the licence condition to recover Last Resort Supplier Payments from their system users therefore this modification in our opinion does not further the relevant objective as it is not efficient to reinstate an obligation on Transporters to fulfil this process.

We believe that as the iGT's have recovered the LRSP from their system users for the period 2022/23 this highlights that the systems and processes are already in place. There is no obvious reason why the IGTs should not then pass these LRSP payments directly to the LRSP recipient.

If all Transporters (including IGTs) recover the respective percentage of LRSP based on their own meter point volumes, this would prove a fairer method of proportioning the SoLR claims as well as providing a greater degree of transparency to the industry when Transporters set their charges.

Ofgem posed the question regarding an enduring solution to facilitate LRSP for IGT's within their recent open letter "[IGT LRSP Open Letter](#)" however did not provide a direction to industry within their response. As we stated in our response to that Open Letter, SGN remain of the view that IGTs should be responsible for their own processes and sites, and that appropriate changes should be made to 'switch-on' the relevant

sections of their licence. It is our view that Ofgem should provide a direction on this matter based on the responses received to their open letter.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

SGN agrees with the workgroup position that this does not meet the Self Governance criteria due to the expectation from Ofgem within their response to the “IGT LRSP Open Letter” that their expectation is for a review of the proposed modification.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We believe that the proposal that the modification is not implemented any sooner than the 1st April 2023 is acceptable.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

SGN has not undertaken any analysis of any potential costs resulting from the implementation of this modification.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

We are satisfied that the legal text fulfils the solution in the modification.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

None identified.

Please provide below any additional analysis or information to support your representation

None identified.

Representation - Draft Modification Report UNC 0809S

Distribution of Last Resort Supplier Payment (LRSP) claims to include IGT sites

Responses invited by: **5pm on 12 August 2022**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Mark Jones
Organisation:	SSE Energy Supply Limited
Date of Representation:	12 August 2022
Support or oppose implementation?	Support
Relevant Objective:	c) Positive f) Positive
Relevant Charging Methodology Objective:	a) Positive

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We agree with the proposer that all customers should be afforded the same protection in the event of a SoLR appointment, and so it is only fair that all customers should bear the costs of the impact of any SoLR events equally.

Self-Governance Statement: Please provide your views on the self-governance statement.

We agree that the modification meets the self-governance criteria.

The Implementation: What lead-time do you wish to see prior to implementation and why?

The modification should be implemented as soon as possible, subject to the self-governance rules.

Impacts and Costs: What analysis, development and ongoing costs would you face?

None identified.

Legal Text: Are you satisfied that the legal text will deliver the intent of the Solution?

Yes.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No.

Please provide below any additional analysis or information to support your representation

Representation - Draft Modification Report UNC 0809S

Distribution of Last Resort Supplier Payment (LRSP) claims to include IGT sites

Responses invited by: **5pm on 12 August 2022**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Rhys Jones
Organisation:	WWU
Date of Representation:	12/08/2022
Support or oppose implementation?	Support
Relevant Objective:	c) Positive f) Positive
Relevant Charging Methodology Objective:	a) Not relevant

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We support this modification because our understanding is that Ofgem prefers this solution; however, our support does not indicate that we believe it is appropriate to GDNs to charge Shippers for charges that should be made by IGTs.

Relevant Objective (c) *Efficient discharge of the licensee's obligations* is positive if the licensee's obligations are interpreted to include ensuring that SoLR charges are distributed equitably given Ofgem's decision to allow Suppliers to submit all their eligible Last Resort Supplier Payment claims to GDNs.

Relevant Object (f) *Promotion of efficiency in the implementation and administration of the Code* is positive in that it probably marginally reduces work for Shippers in that they do not have to make SoLR payments to IGTs; however, this interpretation of Code is ambitious because IGT invoicing is covered by the IGT UNC not the UNC itself.

Relevant Charging Methodology Objectives are not relevant as SoLR charges are not transportation charges and in respect of objective (a) because SoLR charges clearly do not reflect the costs incurred by the licensee in its transportation business, rather they reflect costs incurred by Supplier of Last Resort in their business in relation to the costs they have incurred in taking on those customers.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

This should not be self-governance as the most recent Ofgem letter that gave its preferred option on the interim solution just noted that this modification had been raised and that Ofgem “will consider the modification in due course” (as noted on page 8 of the draft workgroup report). This suggests that either Ofgem expects that the modification should be Authority Direction or that they will consider whether to call it in if it is Self-governance. In addition, we think that it would be useful to the industry for Ofgem to actively make a decision on this modification.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

-

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

We have not conducted any analysis on the impact to costs.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Legal text has not been reviewed; however we provided comments on earlier drafts of the legal text that NGN have taken into account.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

-

Please provide below any additional analysis or information to support your representation

We understand that there will be a requirement for a single unit rate relating to SoLR that encapsulates both directly connected customers and meter points connected through IGTs. This being the case, reconciliation against payments made to LRSP claims, should be straightforward.

At this stage, we are unclear how the proposal would be impacted should supplier failures in the industrial and commercial sector of the industry occur. The modification does confirm that Specified amounts will be calculated by proportion of domestic and non-domestic supply points within the network. It is not stipulated if or how SOQ volumes will be calculated to work alongside this.