

UNC Distribution Workgroup 0896 Minutes
Reducing the current Code Cut-Off Date (Line in the Sand) from 3 to 4 years to 2 to 3 years
Thursday 24 October 2024
via Microsoft Teams

Attendees		
Paul McKie (Chair)	(PM)	Joint Office
Niamh Holden (Secretary)	(NH)	Joint Office
Andrew Green	(AG)	Waters Wye Associates
Andy Clasper	(AC)	Cadent
Catriona Ballard	(CB)	Brookgreen Supply
Charlotte Gilbert	(CG)	BU-UK
David Mitchell	(DMi)	Southern Gas Networks
Elisa Panciu	(EP)	Corona Energy
Fiona Cottam	(FC)	CDSP
Jayne McGlone	(JM)	CDSP
Josie Lewis	(JL)	CDSP
Kathryn Adeseye	(KA)	CDSP
Kate Elleman	(KE)	Joint Office
Lee Greenwood	(LG)	Centrica
Linda Hannaby-Doyle	(LHD)	Scottish Power
Louise Hellyer	(LH)	Total Energies
Mark Jones	(MJ)	SSE
Natasha Perry	(NP)	BUUK
Philipa Burton	(PB)	Scottish Power
Rachel Clarke	(RC)	PAFA
Steve Mulinganie	(SM)	SEFE Energy Limited
Susan Helders	(SH)	Northern Gas Networks
Tom Stuart	(TS)	Wales & West Utilities
<p><i>The Workgroup Report is due to be presented at the UNC Modification Panel by 20 February 2025.</i></p> <p><i>This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.</i></p> <p><i>Please note these minutes do not replicate detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of papers are available at: https://www.gasgovernance.co.uk/0896/241024.</i></p>		

1. Outline of Modification

Paul McKie (PM) welcomed everyone to the meeting and asked the Proposer to provide a brief overview of the Modification.

The Proposer, Steve Mulinganie (SM), went on to give an overview of the Modification, advising the Workgroup that it intends to reduce the existing Code Cut-Off Date (Line in the Sand) from 3 to 4 years to 2 to 3 years.

SM explained that following the proposal of Modification 0886, SEFE had slight concerns regarding its intention to change the current arrangements by the introduction of a new rolling window. SM explained that Modification 0896 looks to deliver the benefits of a shorter Cut-Off Date without the added complexity and risk. SM explained that all the same procedures would apply, but there may be a catch-up issue as it brings things forward. SM explained that the current 3-to-4-year window creates greater exposure to Shippers to the risks of large reconciliations and adjustments, and by reducing the window it reduces said exposure.

SM advised the Workgroup that SEFE had received some feedback regarding their preferred implementation date, and that they are aware that there are challenges for an April implementation. SEFE had therefore considered how quickly and/or easily the Modification could be implemented and had drafted a transitional arrangement for year 1, which could afford industry more time. SM noted that two options for implementation were being considered and provided the Workgroup with the following information:

Viability of 2025 Implementation

- *If the Ofgem decision is published more than [3] months before 1st April then implementation is from 1st April 2025.*
- *If the Ofgem decision is less than [3] months before the 1st April then LiS (Line in the sand) for 2025 is subject to the following transitional arrangements*

Options:

1. *Delay LiS start date - In year 1 to perform a further LiS 'Roll' at [3] months*
 - 1.1. *The LiS Roll happens as normal on 1st April 2025 (to set the Code Cut Off Date to 1-4-22), then*
 - 1.2. *A further LiS 'Roll' is completed at a defined point [3-months] after the first LiS date is applied. This further LiS Roll would then set the date to 1-4-23.*
 - 1.3. *All subsequent LiS dates will revert back to 1st April from 2026 onwards*
2. *Delay LiS 'start' date - In year 1 to implement [3] months after Modification is Approved*
 - 2.1. *A 3-month extension to the LiS date is applied. I.e. 1st April 2025 LiS would become 1st July 2025 LiS for the first year*
 - 2.2. *The LiS date will revert to 1st April the Subsequent year onwards*

SM noted that the Modification would be amended to include these options and any other necessary following the amendments made to Modification 0886. Once amended, SEFE intend to look for everyone's view and determine the preferred option.

Paul McKie (PM) questioned whether, like Modification 0886, there was a potential for this Modification to have unintended impacts on other codes/parts of the industry. SM advised that there was no intention for the Modification to alter the exceptions process or make any changes to the arrangements and should therefore be a straightforward change.

Lee Greenwood (LG) raised concerns regarding the potential impact on the Must-Read process. SM questioned whether the purpose of the Must-Read process was safety or settlement related. Fiona Cottam (FC) advised that if it was within Code, it would be in relation to settlement. FC explained that when there is a notification to the Shipper, in relation to smaller and domestic sites, if it had been 2 years and the LiS passed without a reading, a must read is triggered and is therefore not wasted within 25 or 80 days. In this case, by the time the read has loaded, the must read might have to be 30 days old and therefore the time before the LiS would be calculated but would not be included in the invoice.

FC agreed that there is potentially an unintended consequence of the Modification on the Must-Read process and suggested that a possible solution would be to shorten the Must-Read

process to 18 months.

Louise Hellyer (LH) noted that there may also be an impact on PAC's current reporting as they report based on not having a read for 1 to 2 years or 3 to 4 years. LH explained that PAC may want to consider a change to this.

SM questioned how SEFE could take these potential impacts forward and include them within the Modification. FC suggested that the title of the Modification be changed to include a change to the Must-Read process, or a new Modification be raised. SM agreed to take this away.

Andy Clasper (AC) questioned whether the implementation of the Modification could cause an immediate spike in workload. FC advised that this would be completely down to Shipper behaviour, and this is one of the unknown consequences of the Modification. Josie Lewis (JL) agreed that it would depend on Shipper behaviour, and added that it is currently difficult to quantify the impact, but they would consider the processes going forward next year.

SM reiterated that SEFE do not wish to change the arrangements and the transitional alternates/options should be considered. SM agreed that the Modification would be amended to include a consequential rule regarding the Must-Read window and Workgroup could then discuss whether it needed to be changed within this Modification or a subsequent Modification be raised.

2. Initial Discussion

2.1. Issues and Questions from Panel

SM advised that he would take the questions from Panel away and ensure answers would be provided at the next 0896 Workgroup.

2.1.1. Please review interactions with 0886 – is this Modification 0896 and alternative to 0886?

This item was deferred until November 2024.

2.1.2. For both Modifications (0886 and 0896) – Can the workgroup check that the phrase “Code cut off” does not have unintended consequences on Transmission-related parts of the UNC e.g. neutrality.

This item was deferred until November 2024.

2.1.3. By adjusting the line in the sand from 3-4 years to 2-3 years, are there any unintended consequences relating to exclusion of equitable and legitimate adjustments that would take place between year 3 and 4?

This item was deferred until November 2024.

2.1.4. Historically, how important has the last year (3-4) been?

This item was deferred until November 2024.

2.2. Initial Representations

This item was deferred until November 2024.

2.3 Terms of Reference

This item was deferred until November 2024.

3. Next Steps

Workgroup are to consider:

- Version 2 of Modification
- Answers to Panel Questions

4. Any Other Business

None.

5. Diary Planning

0896 Meetings are listed at: <https://www.gasgovernance.co.uk/0896>

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 28 November 2024	5pm Wednesday 20 November 2024	Microsoft Teams	<ul style="list-style-type: none">• Standard Agenda