

Modification proposal(s):	IGT142: 'Allow Users to submit Estimated Meter Reading during COVID-19'; and		
	IGT143: 'Use of Isolation Flag to identify sites with abnormal load reduction during COVID-19 period'		
Decision:	The Authority ¹ directs that these modifications be made ²		
Target audience:	IGT UNC Panel, Parties to the iGT UNC and other interested parties		
Date of publication:	18 May 2020	Implementation date:	To be confirmed by the IGT UNC Secretary

Background

COVID-19 presents a serious challenge for the energy industry to tackle on behalf of the homes and businesses that depend on the sector for gas and electricity. The 'lock down' of non-essential sectors of the economy, the re-purposing of some sites, and changes in consumer behaviour means energy consumption is varying from season normal patterns to an unprecedented extent. This is having a consequential impact throughout the energy supply chain.

Against this backdrop a specially convened session of the Uniform Network Code (UNC) Distribution workgroup was held 14 April 2020 to consider the likely impacts of COVID-19 on the UNC arrangements and potential mitigating actions. From those discussions initially four modification proposals³ emerged. The code structure in the gas industry is such that separate modification proposals would be required under the iGTUNC for those changes to have effect across all gas supply points. As such, three equivalent proposals⁴ were raised to the iGT UNC. We are continuing to consider the particular issues raised by iGT141 and the equivalent UNC721, and so this letter only addresses iGT142 and iGT143.

We acknowledge and appreciate the efforts of all who have contributed to the expeditious development of these proposals to date, including the members of the IGT UNC Panel who held an extraordinary meeting in order to facilitate the proposer's desired timetable.

The modification proposals

The modification proposals would make temporary changes to the iGT UNC for the duration of the COVID-19 period, incorporating by reference the modifications that have recently been made to the Transition Document of the UNC. The effect of those UNC modifications will therefore extend to the iGT UNC Parties and supply points connected to iGT pipelines, as follows:

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ UNC721 'Shipper submitted AQ Corrections during COVID-19'; UNC722 'Allow Users to submit Estimated Meter Reading during COVID-19'; UNC723 'Use of Isolation Flag to identify sites with abnormal load reduction during COVID-19 period'; and UNC724 'Amendment to Ratchet charges during COVID-19 period'.

⁴ iGT141 'Pipeline User submitted AQ Corrections during COVID-19', iGT142 'Allow Users to submit Estimated Meter Reading during COVID-19', and iGT143 'Use of Isolation Flag to identify sites with abnormal load reduction during COVID-19 period' to which we granted urgency on 6 May 2020.

- IGT142 'Allow Users to submit Estimated Meter Reading during COVID-19' proposes to allow shippers to submit estimated meter readings for certain sites during the COVID-19 pandemic. This is in recognition of the fact that much of the routine cyclic meter reading activity has currently ceased, and in some cases remote meter reading may not be possible, and yet consumption patterns are known to have changed significantly.
- IGT143 'Use of Isolation Flag to identify sites with abnormal load reduction during COVID-19 period' proposes to allow shippers to use the existing 'isolation flag' process to change the status of the Supply Point on central systems. Currently the 'isolation flag' process requires relevant shippers to warrant that certain on-site works have been completed to warrant that the Supply Point has ceased consumption of gas. IGT143 would temporarily waive that requirement, and also be available for sites which may still be consuming a minimal amount of gas rather than requiring an absolute cessation due to 'lock down' restrictions.

IGT UNC Panel⁵ recommendation

At its meeting of 14 May, the iGT UNC Panel voted by a majority to recommend the implementation of iGT142 and iGT143.

Our decision

We have considered the issues raised by the modification proposals and the FMR dated 15 May 2020. We have considered and taken into account the responses to the industry consultation(s) on the modification proposal which are attached to the FMR⁶ and concluded that:

- implementation of the modification proposals will better facilitate the achievement of the relevant objectives of the iGT UNC;⁷ and
- directing that the modifications be made is consistent with our principal objective and statutory duties.⁸

Reasons for our decision

These proposals have been developed together as suite of potential measures that a Gas Shipper may utilise in order to expedite the recognition within central systems of significant changes to certain Supply Point's gas requirements by COVID-19 restrictions or requirements. On 11 May 2020 we directed the implementation of UNC722 and UNC723, which iGT142 and iGT143 seek to incorporate by reference within the iGT UNC.

The gas allocation arrangements rely heavily upon the accuracy of the prevailing Annual Quantity (AQ) for each Supply Point as an indicator of likely demand. The AQ value is itself derived from historic meter readings and therefore its accuracy will be heavily dependent upon how frequently and recently the relevant Gas Shipper has submitted valid meter reads to the Central Data Service Provider (CDSP). Gas Shippers to Non-Daily Metered (NDM) Supply Points will be allocated gas initially on the basis of the

⁵ The iGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the iGT UNC Modification Rules.

⁶ iGT UNC modification proposals, modification reports and representations can be viewed on the iGT UNC website at <http://www.igt-unc.co.uk/>

⁷ As set out in Standard Condition 9 Gas Transporters Licence, available at: <http://epr.ofgem.gov.uk>

⁸ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.

prevailing AQ. Whilst these allocation volumes will be revised as further meter reading are submitted and reconciliation takes place, the initial variance can lead increased volumes of Unidentified Gas (UIG).

Even under normal circumstances, UIG can lead to an inaccurate allocation of cost amongst Gas Shippers and is therefore appropriately kept to a minimum. There have been several UNC modifications in recent years aimed at achieving this reduction in UIG. The current 'lock-down' associated with the COVID-19 exacerbates the UIG problem in two ways. Firstly, reduced economic activity and commensurate demand for gas is not being reflected in the initial AQ-based allocation of gas. Secondly, it may be harder to obtain the valid meter reads that would allow the gas allocation to be reconciled against actual consumption. Gas Shippers are therefore exposed to the cost of energy which their own customers may not be consuming, and will remain so until reconciliation occurs.

IGT142: 'Allow Users to submit Estimated Meter Reading during COVID-19'

We note that of the nine responses to the consultation on this proposal, five supported implementation while a further three offered qualified support. Only one respondent did not support implementation.

We agree with those respondents who specifically commented on the relevant objectives that this modification should be considered against relevant objective (d) *securing effective competition between Gas Shippers*, and that it would have a neutral impact on the other objectives.

Whilst it is clearly preferable that actual meter reads are obtained and submitted into settlements, COVID-19 is making it more difficult to obtain meter readings from many sites. This is due both to the closure of many commercial premises and restrictions on the availability and/or re-prioritisation of industry parties' own staff.

Whilst an estimated reading cannot be taken as *prima facie* evidence⁹ of consumption in the same way as the actual register of the meter, it can nonetheless be useful in the absences of an actual meter reading. However, as with the use of estimates in consumer billing, this should only be a temporary measure and not a substitute for actual reads. We therefore agree with those respondents whose support for this proposal was qualified on the basis of this being a pragmatic mitigation against some of the issues posed by the lock-down, but that it should not endure.

Some respondents raised concerns at the lack of clarity over the relevant period in which these modifications may have effect, given that the definition was embedded in the legal text of the yet to be determined UNC721. As noted in our decision¹⁰ on UNC722-724, that issue has now been addressed through our consent to a minor revision being made to the legal text, giving effect to the definition of *Relevant Period* as part of UNC722 rather than UNC721.

To the extent that the use of estimated reads will enable a more accurate allocate of gas and associated cost to relevant gas shippers, we consider that the implementation of IGT142U will better facilitate relevant objective (d) of the iGT UNC.

⁹ See: Gas Act 1986, as amended, Schedule 2B: Meter as evidence of quantity of gas supplied

¹⁰ Accessible here: <https://www.ofgem.gov.uk/publications-and-updates/authority-decision-unc722-unc723-unc724-and-consent-modify-c058>

IGT143: 'Use of Isolation Flag to identify sites with abnormal load reduction during COVID-19' period'

We note that of the nine responses, four supported implementation, one offered qualified support whilst two did not support implementation and two were neutral. We agree with the majority view of the Panel that the implementation of iGT143 will better facilitate relevant objectives (a) and (d) and have a neutral impact on all other objectives.

Currently, where a Supply Point is no longer consuming gas and the relevant Gas Shipper wishes to avoid further energy allocation and associated charges, it can do so by 'isolating' the Supply Point. This is a purely contractual status and does not require any physical works to be carried out to the supply point or meter. However, in order to do so the Gas Shipper is required to warrant that they have taken all reasonable steps to ensure that all work to cease the flow of gas has been carried out by suitably competent personnel and to provide certain information including a Valid Meter Reading.

The proposer considers that while restrictions on businesses and people under the COVID-19 response mean that some sites are known not to be consuming gas, those same restrictions often make it impracticable to arrange a site visit by a suitably competent person to verify this. As such, the Supply Point cannot currently be isolated and the Gas Shipper remains exposed to energy allocation and charges.

IGT143 therefore seeks to temporarily allow these sites to be flagged and treated as *Isolated*, without the Gas Shipper having been required to meet all of the current conditions.

We agree with the respondent who said that the use of the isolations flag should be carefully monitored during the relevant period. Whilst it is hoped that most Supply Points will quickly resume economic activity once the period of lockdown has ended, some may remain closed while any ongoing requirements around social distancing make their operations impracticable. It will be important to ensure that the relevant industry parties and in particular the relevant Gas Shipper remain responsible for that site, and continue to discharge all applicable safety obligations. They will also remain liable for charges in the event that the Supply Point is subsequently found to have been consuming gas.

We agree with those respondents who commented that the use of the isolation flag in the absence of a warranty from a competent person should be subject to monitoring by the Performance Assurance Committee in order to ensure that the status of all Supply Points is confirmed within a short time of the lock down ending. In some cases, this may be a confirmation of the isolated status with normal warranty of an on-site report from a competent person, or reversion to some other status in accordance with the normal iGT UNC rules.

We consider that iGT143 is a pragmatic short-term mitigation against some of the challenges facing the gas industry and should lead to the more accurate allocation of energy and transportation charges for the relevant period. To the extent that the applicable charges will be more reflective of the transporters costs, we agree that the implementation of iGT143 will better facilitate relevant objective (a) *the efficient and economic operation of the pipeline system*.

Accurate cost allocation will also have benefits for effective competition insofar as the most efficient operators will be able to offer reduced tariffs to existing and potential

customers. We therefore consider that the implementation of iGT143 will therefore better facilitate relevant objective (d) *securing effective competition between Gas Shippers*

Decision notice

In accordance with Standard Condition 9 of the Gas Transporter licence, the Authority hereby directs that the following iGT UNC modifications be made:

- IGT142: '*Allow Users to submit Estimated Meter Reading during COVID-19*'; and
- IGT143: '*Use of Isolation Flag to identify sites with abnormal load reduction during COVID-19 period*'.

Jacqui Russell
Head of Metering and Market Operations

Signed on behalf of the Authority and authorised for that purpose