



Making a positive difference
for energy consumers

iGTUNC Panel Chair and Code
Administrator, relevant Gas
Transporters, Gas Shippers, and
other interested parties

Email: industrycodes@ofgem.gov.uk

Date: 19 May 2020

Dear Anne and colleagues

iGT144: 'Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ)¹ During COVID-19'

We² have received a request that an Independent Gas Transporter Uniform Network Code (iGTUNC) modification proposal iGT144 '*Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) During COVID-19³*' (hereafter "iGT144") should be given urgent status and follow expedited modification procedures. This letter confirms that we have agreed to that request, and sets out the timetable under which the modification will proceed.

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

¹ Although commonly used in gas industry documentation, SOQ is not itself a UNC defined term. Whereas iGT144 refers to the 'System' Offtake Quantity, the Gas Transporters' charging statements refer to the SOQ as being the Supply Point Offtake Quantity, which we therefore consider to be the correct term.

² 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.

³ Modification proposals are available at <https://www.igt-unc.co.uk/modifications/>

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 on 14 April 2020 to consider the likely impacts of COVID-19 on the UNC arrangements and potential mitigating actions.⁴ From those discussions initially four modification proposals emerged.⁵

The code structure in the gas industry is such that separate modification proposals are required under the iGTUNC for those changes to have effect across all gas supply points. On 6 May 2020 we granted urgent status⁶ to iGT141, iGT142, and iGT143⁷ which are 'mirror' iGTUNC modification proposals to those initial UNC modifications. As of today we have made a decision to accept all but iGT141 and UNC721.⁸

We are continuing to consider the issues iGT141 and UNC721 raise, including the post implementation issues industry has discussed and included in the FMR. We are also considering the proposals in the round, in light of other initiatives under discussion to address the impacts of the COVID-19 crisis. We intend to make a decision on iGT141 and UNC721 as soon as possible.

iGT144 is a 'mirror' modification proposal to UNC725⁹ - the fifth UNC modification raised to be from discussions on the 14 April 2020 - and today have agreed to grant urgent status to iGT144 allowing it to progress on an expedited timetable as set out below.

The modification proposal

iGT144 proposes that for Class 1 and Class 2 Daily Metered (DM) Supply Points, the relevant Gas Shipper will be able to submit revised SOQs to the CDSP during a temporary window between the date iGT144 is implemented and 30 September 2020. The SOQs would then revert to their 1 May 2020 levels with effect 1 October 2020.

⁴ See: <https://www.gasgovernance.co.uk/dist/140420>

⁵ Those modifications are: 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'.

⁶ See <https://www.ofgem.gov.uk/publications-and-updates/decision-urgency-igt141-igt142-and-igt143>

⁷ 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'

⁸ See <https://www.ofgem.gov.uk/publications-and-updates/authority-decision-unc722-unc723-unc724-and-consent-modify-c058>

⁹ UNC725: 'Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) During COVID-19' to which we granted urgency on 11 May 2020, see <https://www.ofgem.gov.uk/publications-and-updates/unc725-decision-urgency>

This aims to address concerns raised in the 14 April 2020 UNC Distribution workgroup that as a result of the 'lock down' the transportation charges to many Supply Points is not reflective of their actual current use. For DM Supply Points the SOQ will be the registered supply point capacity. For Non-Daily Metered (NDM) Supply Points, the SOQ is calculated using the supply point End User Category, which itself is determined by the Annual Quantity (AQ), and the appropriate load factor.

The SOQ for Class 3 and Class 4 NDM Supply Point sites can be reduced via an AQ correction, submitted to the CDSP. UNC721 – which, as noted above, we are still considering – proposes to extend the circumstances under which a Gas Shipper may utilise this process, rather than rely upon the gradual revision of the AQ value through the submission of valid meter reads. However, there is currently no corresponding process for Class 1 and Class 2 DM Supply Points, whose capacity booking requirements can only be changed once a year, in a specific time period (the 'Capacity Reduction Period') between October and January.

iGTUNC Modification Panel View

Given the circumstances we have not on this occasion sought a formal iGTUNC Panel view on the proposal, as allowed for under paragraph 17.1.1(b) of the Modification Rules.¹⁰ However UNC725 was discussed at an extraordinary iGTUNC Panel meeting on 14 May 2020. At that meeting, based on the information available, the consensus of Panel members was that urgent status would be appropriate for a 'mirror' iGTUNC code modification proposal should it be raised.

Authority Decision

We have considered the proposers' justification for urgency for the modification proposal. We have assessed the request against the urgency criteria set out in Ofgem's published guidance¹¹. In general, we consider that an urgent modification should be linked to an imminent issue¹² 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.

¹⁰ Modification rules are contained within the iGTUNC document accessible here: <https://www.igt-unc.co.uk/wp-content/uploads/2020/02/IGT-UNC-13.0-Clean.pdf>

¹¹ Ofgem Guidance on Code Modification Urgency Criteria: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>

¹² The imminent issue may be date related.

We have also considered this modification in the context of our enabling framework for regulatory flexibility during COVID-19, as set out in open letters issued recently to energy network¹³ and retail energy supply¹⁴ companies. In those letters, and other COVID-19 engagement with industry as a whole, we have encouraged parties to identify early, and appropriately mitigate, the impacts of COVID-19 to ensure consumers – especially the vulnerable – are protected from immediate harm, security of supply is maintained, and the health and safety of colleagues and consumers is maintained.

We are satisfied that the progression of this modification proposal and the need for an appropriate response to COVID-19 is “a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers, or other stakeholders(s)” and have therefore agreed that this modification proposal should follow the urgent timetable as set out below.

| Process | Date |
|---|-------------|
| Ofgem Decision on Urgency | 19 May 2020 |
| Consultation Commences | 20 May 2020 |
| Consultation Close-out for representations | 26 May 2020 |
| Final Modification Report available for Panel | 27 May 2020 |
| Modification Panel recommendation | 29 May 2020 |
| Ofgem Decision expected by | 1 June 2020 |

As set out above we are considering a range of complex issues and proposals aimed at addressing the impacts of the COVID-19 crisis, including the modifications currently with us for decision. We will reach a decision on those modifications as soon as possible, though note that the above timetable is subject to change.

For the avoidance of doubt, our decision on urgency should not be treated as any indication of our view on the merits of iGT144, or any of the other modification proposals that are referenced in this letter.

Yours sincerely

Jacqui Russell
Head of Metering and Market Operations

¹³ See: https://www.ofgem.gov.uk/system/files/docs/2020/04/networks_letter_0.pdf

¹⁴ See: https://www.ofgem.gov.uk/system/files/docs/2020/04/supplier_letter.pdf