

Final Modification Report	At what stage is this document in the process?
<h1>IGT141U:</h1> <h2>Pipeline User submitted AQ Corrections during COVID-19</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>To Authorise the CDSP to accept requests from Pipeline Users who submit AQ corrections to amend the AQ in response to the changing consumption of the end user as a result of the COVID-19 crisis, by including this as a reason to do so.</p>	
	<p>Panel consideration is due on 14th May 2020. The Panel recommends implementation to the Authority</p>
	<p>High Impact: Pipeline Users, Pipeline Operators</p>
	<p>Medium Impact: CDSP</p>
	<p>Low Impact: Suppliers</p>

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Timeline			
The Proposer recommends the following timetable:			Other: Gareth Evans (WWA)
Modification sent to Ofgem	4 May 2020		
Ofgem Decision on Urgency	5 May 2020		 gareth@waterswye.co.uk
Consultation Commences (3 Business Day consultation)	6 May 2020		
Consultation Close-out for representations	12 May 2020		 01473 822503
Final Modification Report available for Panel	13 May 2020		
Modification Panel recommendation	14 May 2020		
Ofgem Decision	15 May 2020		

1 Summary

What

Currently Pipeline Users are able to submit AQ Corrections for premises where they consider that the Annual Quantity does not reflect the expected seasonally adjusted consumption of gas over the subsequent 12 months.

The UNC sets out the eligible reasons for AQ Correction (these clauses are directed in Part CI clause 6 of the IGT UNC) and these are:

- the confirmed theft of gas (UNC TPD G1.6.21(a))
- the installation, replacement or removal of Consumer's Plant which results in a material change in the basis on which gas is consumed (UNC TPD G1.6.21(b))
- the commencement of a new business activity or discontinuance of an existing business activity at the consumer's premises (UNC TPD G1.6.21(c))

A User may also submit an AQ Correction where the User submits a Meter Reading which is rejected because it falls outside the wider tolerance band, but for which the User is satisfied that the Meter Reading is valid (and would not fail validation if the Annual Quantity were so changed).

The COVID-19 Pandemic has led to businesses varying their activity or patterns of activity, for example:

- discontinuing activity (i.e. not being classed as essential, therefore being subject to Lockdown);
- establishing others (e.g. repurposing factories to make essential equipment (e.g. ventilators)); or,
- increasing existing activity having been classed as essential or meeting shortages (e.g. toilet roll factories).

The current criteria for AQ corrections do not cater for changes in consumption for the above reasons, meaning that many sites have AQs that are unrepresentative of the actual consumption, with no mechanism in place to amend the AQ quickly

Why

Accurate AQs are fundamental to determining the estimated daily consumption of an NDM site. Inaccurate AQs results in inaccurate demand forecasts for individual sites, and hence inaccurate demand allocations for shippers. This results in high levels of negative UIG to correct for the fundamental mismatch between the derived and actual consumptions for sites, as well as significant costs for shippers as they are initially required to procure much higher levels of gas than is required. This situation will continue for many sites for a considerable period of time until site consumptions are corrected through the AQ calculation process which will only amend incrementally over time where Meter Readings are available. In many cases as these sites are not accessible and the allocated energy will not be reconciled until after the COVID-19 crisis.

How

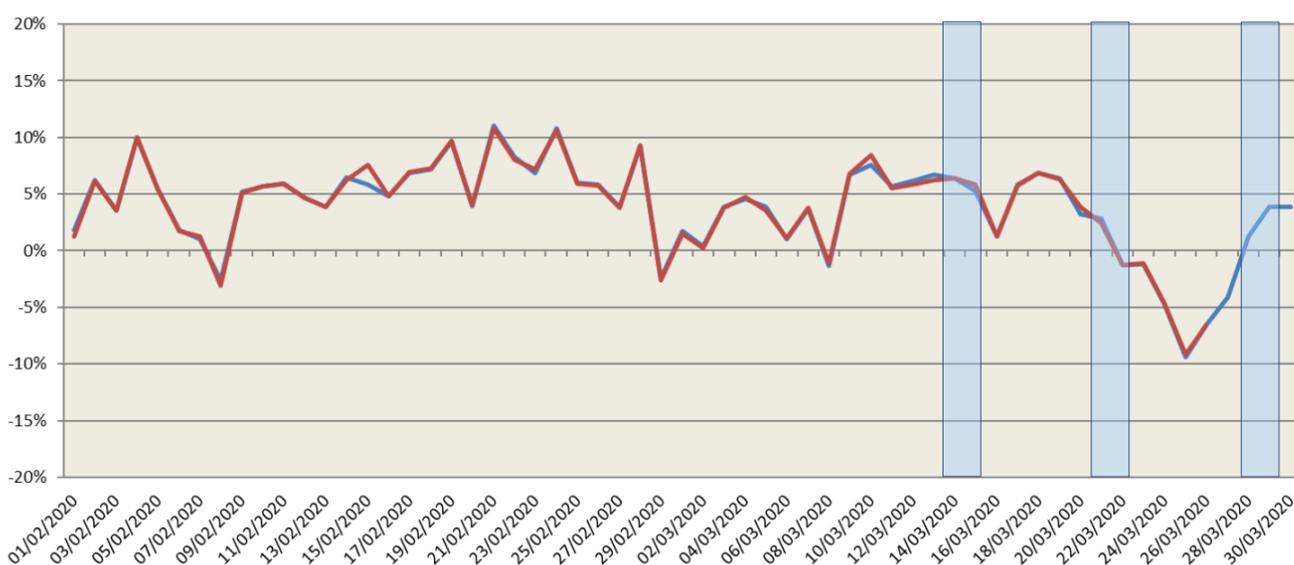
This modification proposes to create a new category of "eligible cause" for the purposes of UNC TPD G.1.6.21, namely that shippers can request a change in the AQ where the site's consumption has varied unexpectedly due to the impact of "coronavirus" (as defined in the Coronavirus Act 2020). This will only apply to EUC Codes 2 through 9 that have not been Isolated. EUC code 1 is not included to reduce the volume of transactions to make the process manageable for the CDSP.

In order to incorporate these changes into the IGT UNC it is proposed that a new clause is added to Part K (General). This clause would point across to the newly created section of the UNC Transition Document (namely Part VI – COVID-19 – Temporary Measures).

2 Governance

Justification for Urgency

This Modification recognises that there will be changes in gas consumers' usage as a result of the COVID-19 crisis. Non-domestic suppliers are reporting reductions of around 20% in total portfolio demand, with some sectors such as retail and hospitality reporting reductions of up to 80%. This means that AQ for many sites in EUC bands 2-9 is significantly overstated, as it is demonstrated by the recent levels of UIG since the commencement of the COVID-19 crisis:



Source: Xoserve

The current AQ Correction timetable for any changes that have an effective date of 1st June requires that AQ Corrections are submitted by require submission by 7th May (M-15). An urgent timetable is needed to ensure that this deadline is achieved and to keep the consistency between the UNC and IGT UNC.

Requested Next Steps

This modification should:

- be treated as urgent and should proceed as such under a timetable agreed with the Authority

3 Why Change?

Since the COVID-19 Lockdown has been enforced there have been unexpected impacts on gas usage at individual sites, including actual usage deviating significantly from the AQ. Shippers therefore require a mechanism to mitigate this issue to avoid incorrect allocations and the subsequent impacts on UIG. A change to the code is required as the circumstances currently stipulated under code for altering the AQ of a Meter Supply Point are too limiting for these exceptional circumstances.

Without implementation, during the COVID-19 crisis, the AQ will become unrepresentative of the gas consumed at many non-domestic sites. For NDM sites, the AQ is used as a basis for Allocations which will mean that the Allocations will not reflect actual consumption, leading to large volumes of UIG that have already been observed.

When usage returns to normal levels, we can also expect the AQ taking some time to align with expected consumptions using normal industry processes and so some provision to allow sites to amend AQ after the lockdown period would also seem reasonable.

4 Code Specific Matters

Technical Skillsets

None

Reference Documents

None

5 Solution

This Modification proposes to extend the eligible causes in order that the Users are able to correctly reflect the impact of the COVID-19 Lockdown Period(s) AND to allow the User to reverse this following the lifting of Lockdown.

This modification proposes to create a new category of “eligible cause” for the purposes of UNC TPD G.1.6.21, namely that shippers can request a change in the AQ as the site’s consumption has varied unexpectedly due to the impact of “coronavirus” (as defined in the Coronavirus Act 2020). This will only apply to EUC Codes 2 through 9 that have not been Isolated. EUC code 1 and Isolated sites are not included to make the process manageable for the CDSP.

Currently the IGT UNC does not directly refer to the UNC Transitional document and there has been no precedent set to point across to this section, therefore, there is a need to create a new section within the IGT UNC to accommodate these changes. Part K (General) of the IGT UNC includes procedures and guidance around Force Majeure and so would be the most appropriate section to include temporary COVID-19 arrangements. This would also ensure that any removal of the text post COVID-19 would be simple and would leave the remainder of the IGT UNC unchanged. A new clause 45 would be introduced to point over to the new UNC Transitional Document section at a high level, capturing all additions to this section therein (namely Part VI – COVID-19 – Temporary Measures).

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects including the Retail Energy Code, if so, how?

None.

Central Systems Impacts

This modification does not require changes to existing systems or processes as it utilises and repurposes an existing record and file type. Consequently, the proposal may be implemented without modifying central systems. Through discussions with Xoserve the following high-level system solution is proposed.

System / Process Solution Notes:

- *The eligible causes typically correlate directly with the REQUEST_REASON in the RT_C41_AQ_CORRECTION record. Due to simplification of the solution within UK Link systems – to avoid additional validation - and because Users are known to be able to submit such AQ Corrections it is proposed that Users should use REASON CODE 2.*

REQUEST_REASON	M	N	2	0	1 - Confirmed Theft of Gas, 2 – Change in Consumers Plant, 3 – Commencement of a new business activity, 4 – Tolerance change, 5 – Winter Consumption
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- *Where populating the AQ Correction (C41 Record) with REQUEST_REASON 2 the SUPPORTING_INFORMATION is mandatory. This field is normally provided by the User in order to justify the change in consumer plant.*
- *The conditionality will not be amended following implementation of this modification; therefore, we would expect that this is populated as 'COVID19'. Should Users wish to provide additional justification they may do so.*

SUPPORTING_INFORMATION	O	T	254	0	Mandatory where REQUEST_REASON is 2
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- *Assessment what, if any, additional notification would be required from Users to assist in differentiating Supply Meter Points that meet the criteria of this Modification from other AQ Corrections in order to enable Users and the CDSP to monitor and effect necessary revision following Lockdown.*
- *This modification also seeks to propose rules that limit the take up of the AQ Correction process. AQ Corrections are considered exception activities, and typically the number of AQ Corrections applied each month do not exceed correction to 3,000 Supply Meter Points.*

Consumer Impacts

The COVID-19 crisis has meant that many non-domestic sites have ceased using gas. Without implementation of this modification Aqs for those sites will not show a true depiction of normal usage, negatively impacting Allocations, UIG and indirectly consumer bills. Implementation of this modification addresses those issues.

Environmental Impacts

None.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
(A) Efficient and economic operation of the pipe-line system	None
(B) Co-ordinated, 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	None
(D) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation agreements with other relevant gas transporters) and relevant shippers	Positive
(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	None
(G) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators	None

This modification delivers objective D as Shippers have obligations under license to ensure that its offtakes of gas from a transporter's pipe-line system and its deliveries of gas are equal. This modification will improve energy allocation, so reducing costs in the market and hence furthering competition.

8 Implementation

In accordance with authority direction.

9 Legal Text

Part K

45 Coronavirus (COVID-19) – Temporary Measures

45.1 For the purposes of this Clause 45 the provisions of part VI of UNC Transition Document shall apply:

Part M (definitions)

“**Coronavirus or COVID-19**” shall have the meaning ascribed thereto in the UNC;

10 Consultation

Panel invited representations from interested parties on 6th May 2020. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
OPUS	Qualified Support	D - Positive	<ul style="list-style-type: none"> We offer qualified support for this modification, on the basis that we support the intent of the proposed modification, but we believe it should apply equally to all non-domestic consumers and not just EUC code 2-9 meters. This may require an additional urgent modification to extend relief to non-domestic EUC code 1 meters. We agree with the Panel in that this Modification should not be subject to self-governance and that there are no immediate specific costs or IT system changes required to implement these changes. We agree that this measure should benefit customers by maintaining effective competition in the non-domestic market in accordance with relevant objective (D) and ensure that charges to customers proportionately reflect the impact of measures taken to comply with COVID 19 measures. Implementation could be swift including with the provisions being extended to non-domestic EUC code 1. We are conscious that there is a requirement for appropriate monitoring of this modification. We would also anticipate that Ofgem will expect that transporters and other industry parties develop appropriate restoration plans to reinstate normal industry arrangements that have been suspended or altered temporarily for the purposes of responding to COVID 19. Finally, we are conscious that the development of this proposal has been rapid with little opportunity to analyse all potential consequential impacts that may need to be mitigated.

<p>E.ON</p>	<p>Oppose</p>	<p>Does not support proposer relevant objective</p>	<ul style="list-style-type: none"> • We are satisfied with the legal text. • The solution outlined in this modification and UNC 0721 creates a new avenue to complete AQ corrections and although theoretically could apply an adjustment to the period, there are likely to be knock on impacts to demand estimation modelling. These impacts may have unintended consequences that would be difficult to unpick and could have unintended ramifications in future years modelling. We also consider there might be impacts to the upcoming seasonal normal activities and transportation charges could be impacted. • We also note that it doesn't take into consideration phasing out of lockdown, as it is highly probable that coming out in lockdown will occur it phases, if AQ corrections have been applied how will it be followed up? The tracking of the use could become even more complex. • We do agree that evidence based would be required if approved, but how do we ensure that consistency is applied? It is not clear how this rule will be validated. We support an Authority decision as this is an urgent change. We expect the Authority to decide on both the UNC and IGT UNC modifications together and however we do not believe the modification meets the relevant objectives. • Concerning cost impacts, we believe there would be some enhancements required in our systems to allow the full solution outlined. Based on the solution drafting we would initially size this as a small change and unlikely to require a project to mobilise the implementation and If approved, implementation could be immediately after approval. With both the IGT UNC and UNC dates aligned. • We have no comments on the legal text.
<p>Scottish power</p>	<p>Support</p>	<p>D- Positive</p>	<ul style="list-style-type: none"> • We support what this change intends to achieve and align with UNC0721. This will give authority for the CDSP to accept requests from Shippers who submit AQ corrections EUC bands 2-9. Given the current situation with Covid-19 there will be a number of sites that are consuming less or no gas, this modification will allow shippers to give more accurate Aqs for these sites and will provide more accurate allocations. <p>Whilst we support the intent of this modification there</p>

			<p>is a level of detail that is lacking and that was provided in our response to UNC0721:</p> <p>Clarity on how the AQ correction will be triggered – Details would be required on whether this was at a customer request and what level of audit trail would be required.</p> <p>Detail on how will the new AQ would be determined - Will it be an agreed industry percentage, or will it be at each individual supply meter point level based on circumstances?</p> <p>What would happen post lockdown – Clarification would be needed on how AQ’s would be treated post lockdown. Currently an AQ change can only be requested every nine months, would this be waived should lockdown end sooner and MPRNs return to previous levels.</p> <ul style="list-style-type: none"> • It is agreed that; The modification should be subject to an authority decision and the implementation will have a positive impact on the relevant objectives, furthermore no implications on cost have been identified as no system changes proposed. • Lastly, we support the implementation outlined by Ofgem and we are satisfied with the legal text.
Npower	Neutral		<ul style="list-style-type: none"> • We understand the intent of this Modification to address inaccuracy in AQs arising from changes in business activity as a result of COVID-19, however we have concerns about this proposal. <p>Whilst we agree that facilitating such a process should hopefully lead to more accurate AQs for businesses which might otherwise fail tolerances, more thought needs to be given to the knock-on implications and post-lockdown activities. We are particularly concerned that any corrections made would be in place for a minimum of 9 months which could lead to negative impacts which could not be undone once a site is out of lockdown. We think that it could potentially lead to inaccurate AQ prevailing for months if not years after the COVID crisis is over.</p> <ul style="list-style-type: none"> • We agree with the proposer that this should not be a self-governance modification and given our concerns outlined above, we do not believe that this Modification will facilitate the relevant objectives. • Implementation could follow immediately after approval and we have no comments on the legal text.

<p>Indigo pipelines</p>	<p>Oppose</p>		<ul style="list-style-type: none"> • We understand the issue that the Mod is attempting to address but we do not feel that this proposal provides an appropriate solution. There are no controls proposed to prevent abuse of the process – the Shipper is not required to provide any evidence of the recalculated AQ nor is there a time limit by which the AQ needs to be adjusted back. Furthermore, it transfers the financial impact from Shippers to Transporters, as the AQ of a commercial property directly impacts IGT UoS charges. Under the RPC regime, IGTs have no mechanism to reclaim their lost revenue (Large Transporters can implement a mid-year price adjustment to compensate but that is not permissible for IGTs under RPC methodology). • It is agreed this Modification should be given Urgent status and be subject to Authority approval and we agree that this Modification impacts Objective D, but we feel it does so at the expense of Transporters by transferring the financial risks from Shippers & Suppliers to IGTs who are then unable to recover the lost revenue. • In regard to additional issues we believe consideration should be given to utilising the Rolling AQ, rather than the Formula Year AQ, as it would then not impact IGTs but could still provide a mechanism for Shippers to report the lowered AQ to Xoserve by submitting nil-advance meter readings. • Implementation would need to be happen quickly after Authority approval. There would be no system changes required but we would need time to process all the AQ adjustments into our system before the next billing run commences. • we were unable to locate the ‘UNC Transition Document’ referred to in the Mod and therefore have not assessed this against the legal text.
<p>ESP</p>	<p>Qualified Support</p>	<p>D - Positive</p>	<ul style="list-style-type: none"> • We support this modification as we recognise that there is a need for a temporary measure for cases where actual gas consumption of sites is currently mismatched with the recorded AQ of those sites. This change will align both metrics. <p>However, we believe that there should be a control framework in the modification for addressing the potential for excessive and inaccurate AQ corrections. Changes in AQs also have cascading impacts on aspects such as transportation revenues and site</p>

			<p>classification in the AQ review process, neither of which have been given adequate consideration in the modification.</p> <ul style="list-style-type: none"> We agree with the proposer that this modification should be subject to Authority decision and in regards to additional issues we note that UNC 0721 which this modification is mirroring has received representations that outline a number of issues, ranging from lack of monitoring and post-implementation controls to site discrimination due to the potential system implications. Given the need for close alignment with the UNC, we would hope that these issues are addressed in UNC 0721 and subsequently IGT141U prior to implementation. We agree with the proposer that objective D is positively impacted and we believe that they would face minor costs in validating AQ corrections when they are reverted post Covid-19. We agree that implementation should follow the timeline provided by the Authority upon approval and we believe the proposed legal text will deliver the intent of the modification.
NGN	Oppose	C - Negative	<ul style="list-style-type: none"> Whilst we agree that there may be a benefit to Pipeline Users in the short-term associated with energy allocation, there is a potential long-term impact associated with there being no clear requirement to re-correct the AQ in a timely manner. We believe that this, together with impacts on Transportation charges that would be felt by the implementation of this solution outweighs the short-term benefits. The reduction in Annual Quantity (AQ) would have an impact on Transportation Charges, which are governed by our Gas Transporter Licence, including requirements to collect revenue as closely as possible to our allowed amount each year. To avoid breach of these Licence conditions our Transportation Charges may need to be amended, which could trigger a request for a 'within year' price change, having an impact on all Pipeline Users by creating more volatile and less predictable charges. There is also the risk of atypical usage flowing through to the Formula Year AQ (FYAQ) which would need to be corrected back to normal consumption levels promptly after the COVID-19 period ends.

BUUK	Qualified support	D - Positive	<ul style="list-style-type: none"> • BUUK supports the principle behind this change. There is a concern, however, that where inaccurate AQ corrections are submitted and transportation revenue impacted, there is no mechanism to monitor the accuracy or legitimacy of the revised AQ. We would propose that an appropriate control framework is put in place to monitor the AQ challenges. • We agree that this is not a Self-Governance modification proposal and we agree with the proposer in that in theory the modification proposal meets relevant objective D. • Lastly, we agreed that no lead time is needed for implementation, and we are satisfied with the legal text.
PFP	Qualified support		<ul style="list-style-type: none"> • PFP Energy fully support the modification listed below. Without addressing AQ in the COVID-19 period it will have unintended consequences for gas balancing and gas reconciliation. • We would like to raise a concern relating to this only applying to EUC Codes 2 through 9 that have not been Isolated. EUC code 1 and Isolated sites are not included to make the process manageable for the CDSP, which we see as an issue as many business sites fall into the EUC code 1 category. We expect this will impact across many suppliers • We have no comments on the relevant objectives, legal text, and implementation.

In Summary:

- Nine responses were received to the consultation for IGT141, incorporating five responses from a Pipeline Users, and three response a Pipeline Operator and one DN;
- One respondent offered full support for the modification with four offering Qualified Support. Three respondent did not support this modification and one remained Neutral;
- Four parties agreed that the modification had a positive impact on relevant objective (D) with one respondent noting that there was a negative impact on Relevant Objective C as it would have an impact on competition. Those who did not support the modification did not agree with the proposer;
- With regards to the proposed legal text, four agreed that this would facilitate the modification. Those who did not support the modification either had no views or comments on the legal text; and
- All respondents noted that implementation would not be subject to a lead time and could be implemented immediately;

11 Panel Discussions

Discussion

The Panel discussed the modification and consultation responses. The Code Administrator summarised the responses noting that nine responses were received. One respondent offered full support for the modification with four offering Qualified Support. Three respondents did not support this modification and one remained Neutral.

The Panel discussed that a number of the Qualified support responses depended on the inclusion of all EUC bands (EUC band 1) and queried whether the proposer would incorporate this. The Proposer noted the comment, however, informed the Panel that they would not be widening the scope at this time due to system capacity of AQ corrections coming into the UKLink system. The Proposer noted that from ICoSS data there is expected to be a large demand from class 2-9 meters following implementation of this modification.

A number of Panel members noted that the solution was not the most desirable as this did not include all EUC bands.

The Panel expressed concern around the lack of controls and it was confirmed that is no definitive way to address this in place currently. Parties would be 'trusted' to correct their AQ's when the revised AQ for the 'COVID lockdown period' was no longer needed.

Consideration of the Relevant Objectives

Panel members voted and four Panel members agreed that this Modification meets the criteria set out in Objective D, however, one did not support this view. The Panel also acknowledged one respondent's concern around a negative impact on Relevant Objective C, but did not support this view.

Determinations

The vote was carried out with two Pipeline Users and three Pipeline Operators. The Panel agreed by unanimous vote that the Modification should be determined under Authority decision.

The Panel voted on the drafting of the legal text and all parties agreed that the legal text facilitated the modifications solution.

The Panel voted on recommending implementation of the modifications and the Panel voted three for implementation and two against implementation.

12 Recommendations

Panel Recommendation to Authority

Members recommended by a majority of three votes to two:

- that Modification 141U should be implemented subject to Authority Approval.