

Final Modification Report		At what stage is this document in the process?
<h1>IGT144 (Urgent):</h1> <h2>Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) 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; background-color: #f4a460;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>To enable consumers to have their site SOQ updated to more accurately reflect their network use during the COVID-19 pandemic and to authorise the CDSP to temporarily accept Shipper User SOQ update requests outside of the normal period.</p>		
	<p>Panel consideration is due on 29th May 2020</p> <p><i>(delete as appropriate following Panel's decision)</i></p> <p>The Panel recommends implementation</p>	
	<p><i>(delete as appropriate following Panel's decision)</i></p> <p>The Panel does not recommend implementation</p>	
	<p>High Impact:</p> <p>Pipeline Users, End Users</p>	
	<p>Medium Impact:</p> <p>CDSP, Pipeline Operators</p>	
	<p>Low Impact:</p> <p>Suppliers</p>	

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			gareth@waterswye.co.uk
			01473 822503
Timeline			
The Proposer recommends the following timetable:			
Ofgem Decision on Urgency		19 May 2020	
Consultation Commences (<i>3 Business Day consultation</i>)		20 May 2020	
Consultation Close-out for representations		26 May 2020	
Final Modification Report available for Panel		27 May 2020	
Modification Panel decision		29 May 2020	
Ofgem Decision		1 June 2020	

1 Summary

What

Businesses are being impacted and disrupted owing to the measures taken as a result of the COVID-19 pandemic. These impacts include -

- Discontinuing or reducing activity (i.e. not being classed as essential, therefore being subject to Lockdown).
- Establishing others (e.g. repurposing factories to make essential equipment).
- Increasing existing activity having been classed as essential or meeting shortages.

To correctly reflect their gas network use, Pipeline Users can only submit SOQ amendments to the CDSP during the Capacity Reduction Period, which does not commence until October 2020. The current arrangements do not cater for changes in consumer network use if there is an unprecedented event such as COVID-19. This means that many non-domestic sites impacted by the pandemic have SOQs that are unrepresentative of their actual usage, with no mechanism in place to amend and correctly reflect likely peak demands.

Why

During the unprecedented COVID-19 pandemic it is important that UNC Users and consumers are accurately charged for their expected gas network use, otherwise consumers risk ceasing operation permanently.

There is a precedent for short-term reductions in SOQ to reduce Daily Metered (DM) Supply Meter Point consumer demand during equivalent times of economic crisis within the UNC, such as National Grid's UNC Modification proposal 0275 - *Reduction in DM LDZ Exit Capacity for Supply Points with Significant Changes in Usage* ([here](#)) which was implemented during the credit crunch in 2009.

How

This Modification proposes for Class 1 and Class 2 Supply Meter Points, and their relevant Pipeline Users will be able to submit revised SOQs to the CDSP during a temporary window between the implementation date of the modification until 30 September 2020. For the avoidance of doubt, the SOQs will revert to their levels as of 1 May 2020 on 1 October 2020, after which point the Capacity Reduction Period commences.

2 Governance

Justification for Urgency

Over-stated SOQs are having a current material impact with many large industrial plants ceasing production altogether, but they are still liable for significant and detrimental transportation charges every month. Consumers will not be able to reduce this exposure during the ongoing pandemic until the Capacity Reduction Period opens in October at the earliest. This Modification is proposed to follow an urgent timetable as this is a current issue with a significant commercial impact on some Pipeline Users and Consumers.

Requested Next Steps

This Modification should:

be treated as Urgent and proceed as such under a timetable agreed with the Authority.

3 Why Change?

Since the COVID-19 pandemic many sites are in lockdown and business as usual has been disrupted. This has resulted in large changes in network use, especially for Class 1 and Class 2 Supply Meter Point sites, with many either ceasing production or seeing substantial reductions in daily demand. As a result, the site's transportation charges are no longer reflective of their actual use. It should be noted that for Class 3 and Class 4 Supply Meter Point sites, the SOQ of these sites can be reduced via an AQ correction submission to the CDSP, but there is currently no corresponding process for Class 1 and Class 2 Supply Meter Point sites, outside of the Capacity Reduction Window which commences on 01 October each year.

It is essential that some form of short-term flexibility in the rules for capacity booking during the COVID-19 pandemic is appropriate and proportionate to allow these consumers to temporarily reduce their system capacity. It should be noted that there is some precedence for similar interventions to reduce costs for DM customers during the Credit Crunch within the UNC, notably UNC Modification 0275 raised by National Grid and implemented in 2009. The COVID-19 pandemic represents similar challenges to businesses and a similar temporary solution seems warranted and proportionate when considering the overall impacts of COVID-19 on UK economy. The alternative is that some of these consumer will cease to use the network entirely, and Transporters will not recover any charges from that consumer, leaving other consumers worse off as transportation charges will need to be rebalanced/allocated in the longer term.

4 Code Specific Matters

Reference Documents

None

Technical Skillsets

None

5 Solution

This Modification proposes to create a defined period (implementation date to 30 September 2020) in which Class 1 and Class 2 Supply Meter Points (excluding Seasonal Large Supply Meter Points) can submit reductions to SOQ values to the CDSP to better reflect their gas network use during this summer. For the avoidance of doubt the process would not be retrospective. Since increases in SOQ can be performed at any point during the year the Business Rules in this modification solely focus on SOQ reductions save for reporting where the Shipper may inform the CDSP that the SOQ increase has been undertaken in line with this Modification, and instruct the CDSP to effect SOQ reduction as described in Business Rule (BR) 6.

Business Rules

1. A Shipper User can submit a revised Registered DM Supply Point Capacity for a Class 1 or Class 2 Supply Meter Points at any point during the Period from date of implementation to the 30 September 2020 ("COVID-19 SOQ revision period"). In order to qualify for a Supply Point Capacity reduction under this Modification, the Supply Meter Point must have been in Class 1 or 2 at 1 April 2020.
2. The revised Registered DM Supply Point Capacity must be equal or greater than the peak daily Metered Volume calculated for that site from 1 April 2020 to the date of application or 31 May 2020, whichever is the earlier.
3. No revised Registered DM Supply Point Capacity will take effect until 1 June 2020 at the earliest.
4. A Shipper User may only submit a revised Registered DM Supply Point Capacity if the site has not already had a revised Registered DM Supply Point Capacity accepted in line with the provisions of Annex G-1.
5. The CDSP will validate the revised Registered DM Supply Point Capacity and, if compliant with BR 2 & 3, will revise the Registered DM Supply Point Capacity as soon as reasonably practicable.
6. From 1 October 2020, the CDSP will revert to the Registered DM Supply Point Capacity value (and for the avoidance of doubt, Supply Point Offtake Rate value) that was applicable on 30 April 2020 for any sites that had a revised Registered DM Supply Point Capacity accepted with the Registered DM Supply Point Capacity. The CDSP shall identify any changes effecting a reduced DM Supply Point Capacity and apply the reversal on 30 September 2020, or as soon as practicable thereafter.
7. Any increase of DM Supply Point Capacity during the period from the Modification implementation date to 30 September 2020 that the Shipper wishes to apply from 1 October 2020 shall be separately notified to the CDSP in order for the CDSP to include in the reversal activity.

The reversal activity shall take effect for the Supply Meter Point even if the Registered User at reversal is not the User who submitted a revised DM Supply Point Capacity amendment.

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?

Not applicable, as this Modification is unlikely to impact an SCR or major industry changes as it should only be effective for a short period of time during the COVID-19 period.

Consumer Impacts

The COVID-19 crisis has meant that many non-domestic sites have had a significant change in gas network use due to production and other impacts. This Modification will enable Class 1 and Class 2 Supply Meter Point sites to amend their SOQs and better reflect their actual gas network use. This proposal also has appropriate controls in place to ensure that any reductions reflect recent consumption and not long-term changes.

If this temporary relief is not extended to the largest consumers during this time of economic dislocation (as was during the Credit Crunch in 2009/10) then many of these customers will cease operations

completely, so significantly reducing the total market from which to recover transportation costs. Given the above, all consumers will be better off in the long term by providing more flexible arrangements in the short term for DM sites. On this basis, this proposal is consistent with protecting the interests of all consumers.

Cross Code Impacts

There will be a requirement to cater for IGT DM sites with a related IGT UNC change.

Environmental Impacts

None.

Central Systems Impacts

The CDSP will be required to amend specific system parameters and perform a series of manual activities to support this Modification

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.	Positive
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.	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 Co-operation of Energy Regulators.	None

This Modification proposal would have a positive impact on –

Relevant Objective a) Efficient and economic operation of the pipe-line system, the timely and short term relief offered by this Modification should help to avoid non-domestic sites disconnecting from the network, which would not be in the interests of the efficient and economic operation of the network, as it may lead to considerable underutilisation of the network in the longer term.

Relevant Objective d) Securing of effective competition, as this will improve cost reflectivity between Shipper Users and their consumers by aligning capacity costs with actual system usage and hence furthering competition between Shipper Users.

8 Implementation

As urgency status is being requested, implementation could be as soon as Authority approval is given.

9 Legal Text

IGT UNC Legal drafting for IGT 144

References:

- UNC Transition Document [PART VI – COVID-19 – TEMPORARY MEASURES](#)
- URGENT MODIFICATION UNC 0725 legal text: [ABILITY TO REFLECT THE CORRECT CUSTOMER NETWORK USE AND SYSTEM OFFTAKE QUANTITY \(SOQ\) COVID-19](#)

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:

45.2 Temporary Supply Point Capacity Reduction

45.2.1 For the purposes of paragraph 6 of Part VI of the UNC Transition Document the following shall apply:

‘reduction notification period’ in 6.1 (a) in Part VI of the UNC Transition Document shall be the period commencing on the date on which the IGT UNC code modification which gives effect to this paragraph 45.2 is implemented and ending on 30 September 2020.

‘**LDZ Supply Meter Point**’ shall have the meaning ‘**DM Supply Meter Point**’ as defined in Part M

‘**Supply Point Capacity**’ shall have the meaning ‘**Offtake Capacity**’ as defined in Part A 5.3.1 .

‘**Supply Point Offtake Rate**’ shall have the meaning ‘**DM Offtake Rate**’ as defined in Part M .

‘**Registered DM Supply Point Capacity**’ shall have the meaning of ‘Registered DM Capacity’ defined in Part B 5.2

‘**Supply Point Daily Quantity**’ shall have the meaning ascribed thereto in the UNC.

Where an alternative definition is not provided the definition shall be that in the UNC.

45.2.2 Paragraph 6.6 in Part VI of the UNC Transition Document shall be replaced by:

“Where the Registered User of a Supply Point comprising a relevant Supply Meter Point wishes any reduction to the Supply Point Capacity and Supply Point Offtake Rate in accordance with this paragraph 6 to apply after any temporary reduction period the Registered User shall be required to submit a Capacity Revision Application in accordance with the requirements in PART CII - DM CAPACITY AND OFFTAKE RATE.”

10 Consultation

Panel invited representations from interested parties with the consultation closing on 26th 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
BUUK	Do Not Support	None	<ul style="list-style-type: none"> • Whilst BUUK recognises the intention of this modification proposal, and that implementation would have no impact on IGTs specifically, we do have concerns regarding: <ul style="list-style-type: none"> a. Whether the change will have the positive result that it is perceived to have or whether there is a more appropriate approach, and b. The potential resulting transfer of risk to other code parties and, ultimately, consumers. • In addition, it should be considered that we believe the implementation of this modification proposal is dependent on the implementation of the UNC equivalent modification proposal UNC 0725U as it is suspected that the CDSP would not be able to separate out the processing for GT and IGT sites. • Considering concerns raised by parties to the UNC equivalent change proposal, UNC 0725U, BUUK questions whether this change positively impacts any of the relevant objectives. • Assuming that UNC 0725U is implemented and the relevant legal text added to the UNC, we believe that, if implemented, the legal text for this proposal delivers the intent of the change. • Whilst we recognise the urgency for these recent covid-19 changes, there is a risk that the limited timescales might not afford parties full understanding of potential impacts.

<p>ESPUG</p>	<p>Qualified Support</p>	<p>A - Positive</p>	<ul style="list-style-type: none"> • We support this modification as we note the need for the usage of Class 1 and 2 sites to be accurately reflected during Covid-19, separate from the AQ data submitted by the relevant Shipper for the site. • However, as with IGT 141 and 143 which contain the same high-level intent for reflecting usage of sites, we note that the modification itself does not propose any controls for monitoring beyond ensuring that revised SOQs are scaled back on September 30th. A framework is required to ensure SOQ reductions are due to Covid-19 circumstances and not due to nature of the site or for those experiencing unrelated reductions such as damages or maintenance. • There may also be a need to reconcile realised SOQs to revised figures to ensure accurate data is captured and recorded on consumption of sites. • We agree that Objective A would be positively impacted by the implementation of this modification. However, we do not see how amending the SOQ for Class 1 and 2 sites in terms of improving accuracy would further competition between Shippers. • We would face minor costs in monitoring and processing the SOQ revisions and ensuring these are accurately reverted on 1st October. • We agree that implementation should follow the timeline provided by the Authority if approved. • Yes, we are satisfied that the legal text will deliver the intent of this modification as it stands.
<p>E.ON</p>	<p>Support</p>	<p>A – Positive D - Positive</p>	<ul style="list-style-type: none"> • We have mirrored our UNC 0725 response. We support the solution proposed and believe it a sensible approach given the current climate. We support a process of validation and evidence production and the request of further clarification if needed. • Due to urgency it requires an Authority decision. • We do not anticipate any system changes to accommodate this change, but it will require some FTE to conduct the activity and to validate any requests which are put forward. • Implementation should occur immediately upon

			approval.
Scottish Power	Support	A – Positive D - Positive	<ul style="list-style-type: none"> We support the principle of the change, as it is the right thing to do given the current situation where businesses are being impacted by the Covid-19 restrictions i.e. discontinued or reduced usage or increased usage due to being classed as an essential business. This change will allow shippers to submit accurate SOQs which in turn will result in accurate charging. We support an Authority decision due to this being raised as an urgent change. We would expect the Authority to decide on implementation of the UNC and IGT UNC and align any dates.
NPower	Support	A – Positive D - Positive	<ul style="list-style-type: none"> We understand and support the intent of this modification. The solution proposed seems pragmatic and fair. We agree with the proposer that this modification will have a positive impact on the relevant objectives. We would incur minor costs. We agree that this Modification requires Authority direction. No lead time is required, implementation could follow directly after decision.

In summary:

- Five responses were received to the consultation for IGT144U incorporating two responses from Pipeline Users and three responses from Pipeline Operators;
- Three respondents offered full support for the Modification with one offering Qualified Support. One respondent did not support this Modification;
- Of those that supported the Modification, three parties agreed that the Modification had a positive impact on Relevant Objective (A and D) and one respondent agreed this met Relevant Objective A.
- All respondents agreed that this Modification should be subject to an Authority decision and that implementation should not be subject to a lead time and should be implemented immediately; and
- All parties noted that the legal text provided facilitated the solution of this Modification.

11 Panel Discussions

The Code Administrator will provide a summary of the Panel discussions that inform any decisions taken. This will include a record of Panel's views on the representations, the outcome of any votes and, where alternates exist, Panel's preference.

Discussion

Insert text here

Consideration of the Relevant Objectives

Insert text here

Determinations

Insert text here

12 Recommendations

Panel Recommendation to Authority

Members recommended:

- that Modification 144U should [not] be implemented

The Code Administrator may set alternative subheadings appropriate to the specific Code.

Insert subheading here

Insert text here