








| Modification | At what stage is this document in the process? |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <h1 data-bbox="172 360 550 450">IGT164:</h1> <h2 data-bbox="172 490 1023 622">Alignment with DCP349 and Provision of Unsecured Credit</h2> | <div data-bbox="1193 353 1461 680"> <div style="border: 1px solid green; padding: 2px; margin-bottom: 2px;">01 Modification</div> <div style="border: 1px solid blue; padding: 2px; margin-bottom: 2px;">02 Workgroup Report</div> <div style="border: 1px solid purple; padding: 2px; margin-bottom: 2px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; padding: 2px;">04 Final Modification Report</div> </div> |
| <p data-bbox="169 745 544 779">Purpose of Modification:</p> <p data-bbox="153 804 1473 954">Following Ofgem’s approval of IGT132VV¹ this ‘mirror’ Modification works to align the provisions of Code Credit Rules introduced by IGT132VV with the changes made under DCP349², which were also approved by the Authority. The changes under DCP349 impact the calculations around good payment history where credit is not available.</p> | |
|  | <p data-bbox="288 992 1139 1025">The Proposer recommends that this modification should be:</p> <ul data-bbox="312 1048 1038 1137" style="list-style-type: none"> assessed by a Workgroup; and progressed as a Self-Governance Modification. <p data-bbox="288 1155 1445 1263">This Modification will be presented by the Proposer to the Panel on 24th February 2023. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p> |
|  | <p data-bbox="288 1301 472 1335">High Impact:</p> <p data-bbox="288 1352 344 1386">N/A</p> |
|  | <p data-bbox="288 1429 520 1462">Medium Impact:</p> <p data-bbox="288 1480 344 1514">N/A</p> |
|  | <p data-bbox="288 1556 464 1590">Low Impact:</p> <p data-bbox="288 1608 834 1641">Pipeline Operators and Pipeline Users</p> |

¹ [IGT132VV - Introduction of IGT Code Credit Rules](#)

² [DCP349 - Effectiveness of the current provision of unsecured cover under Schedule 1](#)

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| Timetable | | |
| The Proposer recommends the following timetable: | | |
| Initial consideration by Workgroup | 9 th March 2023 | |
| Amended Modification considered by Workgroup | - | |
| Workgroup Report presented to Panel | 28 th April 2023 | |
| Draft Modification Report issued for consultation | 28 th April 2023 | |
| Consultation Close-out for representations | 23 rd May 2023 | |
| Variation Request presented to Panel | - | |
| Final Modification Report available for Panel | 16 th June 2023 | |
| Modification Panel decision | 23 rd June 2023 | |

1 Summary

What

Good payment history has been identified as insufficient on its own to highlight when a party may be in financial difficulty. DCP349 was raised to address this matter, the outcomes of which are proposed to be incorporated into the IGT UNC Code Credit Rules, which will be implemented into Code through approved Modification IGT132VV.

Why

IGT132VV was originally drafted and modelled after the DCUSA arrangements, including those from the initial proposals of DCP349. However, during the development of DCP349 some changes were made to the Legal Text that were not captured in the work carried out to progress IGT132VV as these changes happened while IGT132VV was with the Authority for decision. With the intent to harmonise between Codes, and based on a recommendation from the Authority in the [IGT132VV decision letter](#), the IGT UNC needs to ensure that its Code Credit Rules align to the DCUSA regarding the use of good payment history in the calculation of unsecured credit.

How

With regards to aligning the IGT132VV Legal Text to the DCUSA. It should be noted that there is not a direct match in the legal drafting provided under this Modification. This is because the DCUSA inputted a 'with effect from 24 June 2022' condition to negate the need for parties to carry out an exhaustive retrospective calculations exercise in their credit cover arrangements. As the IGT UNC Code Credit Rules are being newly implemented, this requirement is not necessary and as such the Legal Text for this Modification is different to account for this.

Its worth noting that due to the calculations involved it is possible, although not guaranteed, that if this Modification is not implemented into the IGT UNC within 36 months of the IGT132VV implementation, there could be a material impact affecting the good payment history calculation, and thus raising the prospect of needing a condition like that in the DCUSA to avoid retrospective calculations being necessary. The need for such a step would be dependent on individual party circumstances. Such as how long it takes to implement credit arrangements after IGT132VV's implementation, and whether good payment history is used in those initial calculations.

2 Governance

Justification for Self-Governance Procedures

The Modification is unlikely to have a material impact on the end customer or discriminate between industry parties as it works to align industry codes ensuring common provision across the industry that are already in place and approved by the authority.

Requested Next Steps

This Modification should:

- be assessed by a Workgroup; and
- be progressed by the Panel through Self-Governance arrangements.

3 Why Change?

The initial drafting of Legal Text for DCP349 was incorporated into the approved IGT132VV, however while the DCUSA change was well received it did require development from Supplier and Distributor parties which evolved the solution, and thus the Legal Text, to provide calculations that were more useful to the aims of credit arrangements. These developments were not captured as part of the final IGT132VV iteration and as such this Modification is working to address that so that the IGT UNC Code Credit Rules can continue to align with other industry credit arrangements and improve on the unsecured credit process.

4 Code Specific Matters

Technical Skillsets

N/A

Reference Documents

- [IGT132VV - Introduction of IGT Code Credit Rules](#)
- [IGT132VV Authority Decision](#)
- [DCP349 - Effectiveness of the current provision of unsecured cover under Schedule 1](#)

5 Solution

The DCP349 workgroup concluded that good payment history accruing steadily over five years was not an efficient means of providing adequate support. I.e., a party can show no signs of having financial difficulty until they are suddenly able to stop paying their bills. Therefore, rather than having the 'Payment Record Factor' rise each year the Legal Text was adapted for DCP349 to provide a rise for the first three years, and then steadily lower again before the end of the five year mark. This provided parties without a means of secured credit a way of gaining a stronger credit cover rating in the methodology, while also incentivising said party to gain a secured credit rating and not rely on good payment history alone. The outcomes of these discussions and decisions from the final DCP349 version have therefore been accommodated in the Legal Text provided for this Modification.

6 Impacts & Other Considerations

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

There are no Significant Code Review (SCR) or other significant industry change projects impacted as a result of this change.

Consumer Impacts

What is the current consumer experience?

There is no impact to the customer experience as a result of this change.

What would the new consumer experience be?

There is no impact to the customer experience as a result of this change.

| Impact of the change on Consumer Benefit Areas | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Area | Identified Impact |
| <p>Improved safety and reliability</p> <p><i>Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?</i></p> <p><i>This area would relate to changes which balance the system safely, securely and at optimum cost, particularly for consumers in vulnerable situations. It would also consider changes which introduce flexibility across the market to flow energy at the most efficient profile, lower operational costs and make sure GB consumers can access the cheapest sources of energy.</i></p> | None |
| <p>Lower bills than would otherwise be the case</p> <p><i>Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?</i></p> <p><i>This area would relate to changes that are likely to benefit end consumers. This could include any change where it has been demonstrated that it could lower bills for end consumers.</i></p> <p><i>If possible, this section should include any quantifiable benefits.</i></p> | None |
| <p>Reduced environmental damage</p> <p><i>Will this proposal support:</i></p> <ul style="list-style-type: none"> • <i>new providers and technologies?</i> • <i>a move to hydrogen or lower greenhouse gases?</i> • <i>the journey toward statutory net-zero targets?</i> • <i>decarbonisation?</i> <p><i>This area would relate to changes which demonstrate innovative work to design solutions which ensure the system can operate in an environmentally sustainable way both now and in the future.</i></p> | None |
| <p>Improved quality of service</p> <p><i>This area would focus on demonstrating why and how the change can improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.</i></p> | None |
| <p>Benefits for society as a whole</p> <p><i>This area would relate to any other identified changes to society, such as jobs or the economy.</i></p> | None |

Cross-Code Impacts

There are no cross-code impacts, other than to align the IGT UNC with other gas and electric code credit rules.

| | |
|-------|--------------------------|
| UNC | <input type="checkbox"/> |
| REC | <input type="checkbox"/> |
| Other | X |
| None | <input type="checkbox"/> |

Environmental Impacts

There are no environmental impacts as a result of this change.

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 <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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 | None |
| (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 | Positive |

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| (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 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|

As effectively a 'housekeeping' Modification to implement a cohesive and clear approach to IGT UNC Credit Cover Arrangements, this change better facilitates Objective (F) as it will ensure accurate and effective running of the Code.

8 Implementation

This Modification would benefit from sharing the implementation date of IGT132VV and subsequent Modification [IGT163 - Code Credit Rules housekeeping updates following IGT132VV approval](#). However as per the comments made in the 'How' section it is possible to have an implementation date after this time without any adverse impacts to the credit cover calculations. It would however be prudent to aim for an implementation date of not later than 24 months after the implementation date of IGT132VV to still give adequate time and foresight into how good payment history is factored into unsecured credit cover calculations.

9 Legal Text

Text Commentary

The proposed legal text uses the approved drafting of IGT132VV and subsequent Modification IGT163 and provided highlighted amendments in red to show the additions/ changes made to fulfil the requirements of the modification.

Suggested Text

The proposed legal text for this Modification can be found on the IGT164 [webpage here](#).

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Refer this proposal to Workgroup for assessment.