

Modification	At what stage is this document in the process?
IGT181: Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report
Purpose of Modification: This Modification seeks to align the IGT UNC with the changes implemented into the Uniform Network Code (UNC) under 0854 'Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers' in May 2024. This will ensure that the UNC processes can apply to IGT Supply Meter Points (SMPs) as intended under UNC0854.	
	The Proposer recommends that this Modification should be: assessed by a Workgroup. This Modification will be presented by the Proposer to the Panel on 27 February 2026. The Panel will consider the Proposer's recommendation and determine the appropriate route.
Impacted Parties and Codes	
	High Impact: Independent Gas Transporters (IGTs), Shippers, Suppliers
	Medium Impact: None
	Low Impact: CDSP

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Timetable

The Proposer recommends the following timetable:

Modification Proposal Raised	18 th February 2026
Initial consideration by Panel	27 th February 2026
Initial consideration by Workgroup	12 th March 2026
Amended Modification considered by Workgroup	-
Workgroup Report presented to Panel	29 th May 2026
Draft Modification Report issued for consultation	1 st June 2026
Consultation Close-out for representations	22 nd June 2026
Variation Request presented to Panel	-
Final Modification Report available for Panel	17 th July 2026
Modification Panel decision	24 th July 2026



Any questions?

Contact:

Code Administrator



IGTUNC@talan.com



02070901044

Proposer:

Catherine Fearon

ES Pipelines Limited



**catherine.fearon@es
pug.com**



telephone

07738 503552

1 Summary

What

If a User Termination occurs, the UNC allows the Supplier to operate under the terms of a binding 'Supplier Undertaking' which it has given to Gas Distribution Networks (GDN) and IGTs. This means that even though there is no Registered User in place for the relevant SMPs, the UNC provides for:

- **A Virtual Last Resort User ('VLRU')**: Enabling the relevant Supplier to utilise other existing User relationships to source additional supplies of gas and make trade nominations to the Terminated User account to balance that portfolio and mitigate increased costs, until a new Registered User is appointed.
- **Contingent Procurement of Supplier Demand ('CPSD')**: Requiring that, separate to its role as residual balancer, National Gas Transmission (NGT) procures gas to meet the forecast demand of Terminated SMPs that are temporarily without a Registered User. In this ringfenced role, gas can be procured more efficiently compared to purchases actioned via the residual balancer role.

Prior to the implementation of UNC0854, if a User was sanctioned by the UK Government it would not constitute a user default event under UNC which meant that NGT was unable to issue a Termination Notice to the User and make use of the 'Supplier Undertaking,' 'VLRU' or 'CPSD' processes.

UNC0854 introduced the concept of a User Premises Termination Notice (UPTN) into the UNC. This means that NGT are now able to issue this suspension notice (UPTN) to Users in the event of Government sanctions. This allows the utilisation of the two mechanisms detailed above and therefore facilitates the maintenance, ongoing integrity and continued effective operation of the commercial Energy Balancing and Transportation arrangements in the immediate/short term until an alternative User Registration is in place for the relevant SMPs.

For the avoidance of doubt a UPTN is not defined as a 'User Default' and will not trigger a termination, rather a suspension of the User. In theory this means that a previously sanctioned User could re-enter the Gas Market as the same legal entity. However, this scenario is highly unlikely and outside the scope of this Modification.

UNC0854 states that IGTs are 'highly impacted' by UNC0854 and that the IGT UNC points to UNC and that it would be up to the IGT UNC Code Administrator to determine if anything further is required. This IGT enabling Modification has been raised as IGT UNC does not currently point across to all sections of the UNC relevant to UNC0854.

Why

This IGT UNC Modification has been raised to ensure that the same protections available to Gas Distribution Network (GDN) SMPs are available to IGT SMPs.

Although IGT UNC allows for "User Default" in Part K Clause 7, the definition of the 'User Default' as outlined in Clause 7.1 a – d does not include Government sanctions as a reason for 'User Default'. Therefore, Government sanctions cannot constitute a 'User Default' under the IGT UNC.

This aligns with UNC0854, which also acknowledges that Government sanctions are not a 'User Default' event under UNC. Please see extract from UNC0854 below:

As the application of sanctions on a User by the UK government does not constitute a User Default event under the UNC, a Transporter is not able to issue a Termination Notice as a direct consequence. Hence a mechanism

The UNC0854 decision letter also concurs that a UK Government Sanction on a User does not constitute a 'User Default'. Please see extract below:

If a gas shipper were to be subject to sanctions by the United Kingdom ("UK") Government, its ability to deliver gas to registered Supply Meter Points in the Great Britain ("GB") market would be inhibited. The application of sanctions would not, however, constitute a User Default under the UNC. The shipper would not be terminated from the UNC, its registration to Supply Meter Points would not be terminated, and the terms of a binding Undertaking ("Supplier Undertaking") would not be triggered. The VLRU and CPSD mechanisms could therefore not be activated, so consumers would not be protected through these mechanisms. For as long as a sanctioned shipper remained an active User under the UNC but is not able to flow gas to registered Supply Meter Points, NGT would procure gas via the OCM to balance the market as necessary, in its residual balancer role. Only if and when affected Supply Meter Points are transferred to another operational shipper in the industry systems, would the new shipper take on the associated rights and obligations (including the ability to trade).

The full Ofgem decision letter can be accessed [here](#).

An IGT UNC Modification is required to ensure 'activation' of the Supplier Undertaking (i.e. for arrangements between the IGT and the relevant User at the relevant premises to 'come to an end'). Further, in order to mitigate the consequential imbalance risk, the triggers for availability of the VLRU and CPSD mechanisms need to be extended to where the aforementioned arrangements have 'come to an end' in these circumstances.

How

The IGT UNC needs to be amended to introduce the concept of a new suspension notice (a UPTN) to a User sanctioned by the UK Government.

This suspension notice will discontinue the relevant User's Registration for any SMPs for which it is the prevailing Registered User whilst it remains a 'live' (i.e. not terminated) User. The UPTN will set out the reason(s) for the issue of the UPTN and the date from which the registration of the relevant SMPs is to be discontinued.

The IGT UNC needs to allow the 'activation' of the Supplier Undertaking. It also needs to trigger the VLRU and CPSD mechanisms to 'activate' for recipients of the UPTN in order to mitigate the consequential imbalance risk. For reference, UNC TPD E10.1.1(a) and D6.1.2(a) address both the VLRU and CPSD mechanisms respectively if not outlined in the IGT UNC.

For avoidance of doubt, from the effective date on which the registration of relevant SMPs are discontinued, the relevant SMPs shall be subject to the same provisions as Terminated SMPs.

2 Governance

Justification for Self-Governance Procedures

This Modification meets the requirements for Self-Governance and there are no identified material impacts. It is unlikely to have a material effect on:

- i._existing or future gas consumers;

- ii. competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes;
- iii. the operation of one or more pipeline system(s);
- iv. matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
- v. the network code modification procedures; and
- vi. is unlikely to discriminate between different classes of parties to the Uniform Network Code / relevant gas transporters or gas shippers.

IGT181 seeks to allow under the IGT UNC the ability to utilise certain mechanisms in the event of a UPTN being issued. This is as per the intent of UNC0854. As a UK government sanction is not considered a 'User Default' event and IGT UNC does not point to all relevant sections of UNC relating to UNC0854, IGT181 is required to enable a UPTN to trigger the risk mitigating mechanisms previously available only in the event of a Termination.

This Modification seeks to ensure the treatment of IGT SMPs aligns with GDN SMPs in the case of UK government sanctions.

Although UNC0854 was Authority Consent, this was in part due to the risk of a User being subject to a UPTN. As we are not aware of this risk currently, IGT181 has been raised with the intention of aligning the IGT UNC process and treatment of IGT SMPs with UNC. Therefore, Self-Governance is deemed the most appropriate route.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to Self-Governance.
- be assessed by a Workgroup.

3 Why Change?

IGT UNC Part K Clause 7 outlines the triggers which constitute a "User Default" event. The application of UK Government Sanctions on a User is **not** included in the list provided in Part K Clause 7.1 a-d. In addition, Government sanctions do not constitute a 'User Default' under the UNC.

The IGT UNC has no concept of a 'suspension' notice such as a UPTN which has the effect of discontinuing the prevailing User's Registration of their SMPs without terminating the User.

As a result, the IGT UNC does not allow the 'activation' of the Supplier Undertaking in the event of a User being sanctioned by the UK Government and receiving a UPTN.

Other mechanisms available due to a 'User Default' are also unavailable in the case of Government sanctions leaving a consequential risk of a material system imbalance (shortfall). To mitigate the risk of this occurring, the IGT UNC needs to allow the 'activation' of the VLRU and CPSD mechanisms as per UNC TPD E10 & UNC TPD D6 respectively.

This Modification therefore seeks to rectify the above by amending the IGT UNC to include the concept of:

- UPTN;
- Premises Termination User (who is in receipt of the UPTN);

- Activation of the 'Supplier Undertaking' as a result a UPTN;
- Activation of the VLRU and CPSD processes outlined in UNC TPD E10 and TPD D6 as a result of a UPTN.
- Activation of other activities which occur as a result of a 'User Default'.

For the avoidance of doubt, a UPTN is a suspension notice and a discontinuation of the User's Registration at their SMPs and is not a Termination Notice.

4 Code Specific Matters

Reference Documents

[UNC Modification 0854](#)

[UNC TPD Section D](#)

[UNC TPD Section E](#)

[UNC TPD Section G](#)

Knowledge/Skills

Terminations

User Premises Termination Notice / Premises Termination User

Supplier Undertaking

Virtual Last Resort User & Contingent Procurement of Supplier Demand Event Triggers

5 Solution

Proposed Solution

Please note that the Proposed Solution set out below has been designed to align with a staged implementation approach. This approach has been adopted to enable the efficient implementation of required changes to the IGT UNC associated with UNC0854, while also accommodating the implementation of the approved IGT UNC Modification 176 - Changes to IGT UNC to enable UNC0887 'Facilitating Bi-Directional Connections Between IGT Pipelines and the NTS'.

IGT176 is currently expected to be implemented in August 2026. However, a firm implementation date has not yet been confirmed. To ensure that the National Transmission System (NTS) related changes introduced under UNC0854 are appropriately addressed, a staged implementation approach is therefore required.

Implementation Stage 1 Business Rules (BRs)

Please note that Stage 1 BRs can be delivered any time, regardless of the implementation of IGT176.

BR1: Introduce the concept of a UPTN as a suspension notice that triggers the discontinuation of a User's Registration of SMPs from the effective date of the notice.

(See UNC TPD G 4.8.9, 4.8.10 and 4.8.11)

BR2: Introduce the concept of a Premises Termination User who is a Registered User in receipt of a UPTN.

(See UNC TPD G 4.8.9, 4.8.10 and 4.8.11)

BR3: Introduce trigger for the 'activation' of the 'Supplier Undertaking' within the IGT UNC as a result of a UPTN. For avoidance of doubt this includes the Supplier of Last Resort process which would apply if both the User (Shipper) & Supplier for a Supply Point are sanctioned by the UK Government.

(See UNC TPD D 6.1.2, UNC TPD E 10.1.1, UNC TPD G 4.8.1 to 4.8.8)

BR4: Introduce trigger for the 'activation' of VLRU mechanism as a result of a UPTN.

(See UNC TPD E10.1.1 to 10.1.2, , 10.2.1 to 10.2.2 and 10.3).

BR5: Introduce trigger for the 'activation' of the Contingent Procurement of Supplier Demand (CPSD) mechanism as a result of a UPTN.

(See UNC TPD D6.1.2a).

BR6: From the date that the UPTN discontinues a User's Registration of SMP, the relevant SMP shall be subject to the same provisions as Terminated SMPs as outlined in the remaining provisions of:

1. UNC TPD E10.1.1;
2. UNC TPD D 6.1.1 and 6.1.2; and
3. UNC TPD G 4.8.11, 4.8.12 a) b) i), ii) & iv), 4.8.13 to 4.8.16.

Please note that Stage 2 BR1a is an extension to this BR.

BR7: In respect of CSS SMPs, the User subject to the UPTN will cease to be the Registered User.

(See UNC TPD G5.1.3) Further, the CDSP will:

1. Modify the Shipper-Supplier Association Data to remove the User subject to the UPTN (as per UNC TPD G5.7.8/5.8.2); and
2. Update the Shipper-Transporter Association Data to reflect a Registration Block Notice in relation to the User subject to the UPTN (as per UNC TPD G 4.8.14 and 5.8.3).

BR8: The User subject to a UPTN will no longer hold Supply Point Capacity at, or Local Distribution Zone (LDZ) Capacity at, the relevant Supply Meter Points.

(See UNC TPD G 4.8.12 iv)

~~For the avoidance of doubt, UNC TPD G 4.8.12 v) does not apply as it relates to Supply Point Capacity at NTS Supply Points which are not relevant to IGT UNC.~~

Note 1:

For the avoidance of doubt, from the effective date of the UPTN and for the duration of the UPTN, the CDSP will cease to provide its services to the User under the Data Services Contract (DSC). An update to the Data Services Contract DSC Terms and Conditions Clause 16.7 was carried out under UNC0854 to allow the CDSP to suspend the provision of Services to a User from the effective date of the User Premises Termination Notice.

Note 2:

For the avoidance of doubt UNC TPD G 4.8.12 iii) does not apply in IGT UNC as it refers to Shared Supply Meter Point which are not applicable in IGT UNC.

Implementation Stage 2 BRs

Please note that Stage 2 BRs cannot be implemented before the approved implementation date for IGT176. However, they can be implemented on the same day as IGT176 or any time after.

BR1a: From the date that the UPTN discontinues a User's Registration of SMP, the relevant SMP shall be subject to the same provisions as Terminated SMPs as outlined in the remaining provisions of:

1. UNC TPD G 4.8.12 v):

BR2a: Where the relevant Supply Meter Point is an NTS Supply Meter Point, the NTS Exit Capacity (of the User subject to the UPTN) shall confer any rights in respect of the offtake of gas. (See UNC TPD G 4.8.12 v)).

6 Impacts & Other Considerations

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

None.

Consumer Impacts

What is the current consumer experience?

If the UK Government sanctions a User, UNC0854 allows NGT to issue a UPTN to the sanctioned User. This allows the 'Supplier Undertaking' to be invoked and 'VLRU' and 'CPSD' processes to apply. Although UNC0854 was intended to apply to both GDNs and IGT SMPs, the IGT UNC does not have the concept of a UPTN to ensure that this can occur. This means the costs of any consequential residual balancing actions for IGT SMPs are likely to be socialised across all Shipper Users. This would be expected to result in higher system prices and ultimately higher cost to be passed through to end consumers.

What would the new consumer experience be?

If this enabling Modification is implemented, the 'Supplier Undertaking' would be invoked for IGT SMPs, and the 'VLRU' and 'CPSD' mechanisms would also be available in the identified scenario of NGT issuing a UPTN. This is expected to result in lower system prices, and ultimately lower costs to be passed through to consumers.

Impact of the change on Consumer Benefit Areas

Area	Identified Impact
Improved safety and reliability	None
Lower bills than would otherwise be the case This Modification is expected to enable NGT to secure additional supplies of gas at a lower unit cost than would otherwise be the case if it were taking such action on the day in its residual balancer role via the OCM. This is expected to	Positive

result in SAP and marginal prices on the day being lower than would otherwise be the case. Thus, such a reduction should be passed through to consumers and have lower cost impacts on the market.	
Reduced environmental damage	None
Improved quality of service	None
Benefits for society as a whole By seeking to mitigate upward pressure on system prices when a Supplier is operating under a deed of undertaking, this Proposal is expected to lead to lower wholesale prices than would otherwise be the case and to reduce the risk of further financial challenges for market participants and thereby minimise disruption for consumers.	Positive

Cross-Code Impacts

This Modification will not have a direct impact on the UNC. However, it will have an indirect impact in that UNC0854 was intended to apply to both GDN & IGT SMPs, and this IGT enabling Modification facilitates this by ensuring IGT UNC and UNC are aligned.

UNC	☐
REC	☐
Other	☐
None	☒

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	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

The Modification furthers Relevant Objective (F), as follows:

Objective F) Promotion of efficiency in the implementation and administration of the Code

UNC0854 was approved by the Authority in May 2024. The original intent of this Modification was for the solution to apply to both GDN and IGT SMPs. This IGT enabling Modification has been raised to align the IGT UNC with UNC and therefore achieves Objective F) to promote the efficient implementation and administration of the Code.

8 Implementation

~~As Self-Governance procedures are proposed, The~~ implementation of IGT181 should be as soon as practicable after a ~~Modification Panel~~final decision to implement ~~has been made~~, subject to no Appeal being raised. ~~It should be noted that (Please note that~~ UNC0854 was implemented in May 2024 and for this reason implementation at the earliest opportunity is preferred).

There is no impact to Central Systems **if this IGT enabling Modification is approved**. If IGT181 were to be disapproved, there would be a Central System impact, which would be managed via the DSC Change process and affect the timeline for implementation. It is also likely a cost would be associated with this change to carve out an exemption for IGTs from the UNC0854 solution.

Staged Implementation Approach

In addition to the above, a staged implementation approach is also proposed. This approach has been suggested to enable the efficient implementation of the required changes to the IGT UNC associated

with UNC0854, while also accommodating the implementation of the approved IGT UNC Modification 176.

IGT176 introduces the concept of NTS Supply Meter Points into the IGT UNC, and it is currently expected to be implemented in August 2026. It is felt that a staged implementation approach will ensure that the NTS-related changes introduced under UNC0854 are appropriately addressed without delaying the rest of the required changes from being introduced.

The stages of implementation are proposed as follows:

Stage 1: All Stage 1 BRs and legal text to be implemented 1 Working Day following the closure of the 15 Working Day Appeal Window should IGT181 be approved.

Stage 2: All Stage 2 BRs and legal text to be implemented on or after the implementation of IGT176.

9 Legal Text

Text Commentary

~~TBC~~ Please refer to the IGT181 webpage for the latest version of the legal text.

Please note that the legal text has been designed in such a way to accommodate a staged implementation approach.

Text

~~TBC~~

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Refer this proposal to a Workgroup for assessment.