

Modification proposal:	Independent Gas Transporters Uniform Network Code (IGT UNC) 072: IGT Single Service Provision, non-effective days (IGT072)		
Decision:	The Authority ¹ directs this modification be made ²		
Target audience:	IGT UNC Panel, Parties to the IGT UNC and other interested parties		
Date of publication:	24 July 2015	Implementation date:	To be confirmed by the IGT UNC Panel secretary

Background

On 14 January 2015 the Authority directed a modification to the Standard Conditions of the GT licence³. The effect of the modification is to require that the IGTs procure certain services and systems through a common Agent, bringing them into line with the existing obligations upon the other GTs.

We subsequently directed the implementation of UNC440⁴ and IGT039⁵:

- UNC440 established within the UNC the concept of Single Service Provision (SSP), bringing IGT connected supply points into the scope of the supply point administration services provided by the GT Agency, Xoserve;
- IGT039 is complementary to UNC440, replacing those sections of the IGT UNC which relate to services that will no longer be provided by each of the IGTs and instead incorporated by reference the relevant sections of the UNC.

The effect of both of these changes is to incorporate the IGTs into the new central systems being introduced as part of Project Nexus.

The modification proposal

In order to facilitate the orderly transition to the new systems, IGT072 proposes to introduce a period of six non-effective days into the IGT UNC. A similar proposal, UNC532⁶, is being progressed under the UNC.

During these non-effective days, certain requirements of the IGT UNC will be suspended, and associated communications between IGTs and shippers will not be issued. The full list of IGT UNC sections that would be suspended during the non-effective period is set out in the Final Modification Report (FMR)⁷ as well as the associated legal text, and not repeated here. This includes those processes associated with customer switching.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ See: www.ofgem.gov.uk/ofgem-publications/92454/projectnexusletterfinal.pdf

⁴ UNC440: 'Project Nexus – IGT Single Service Provision'

⁵ IGT039: 'Use of a single Gas Transporters Agency for the common services and systems and processes required by the IGT UNC'

⁶ UNC532: 'Implementation of Non Effective Days (Project Nexus transitional modification)'

⁷ See: www.igt-unc.co.uk/ewcommon/tools/download.ashx?docId=3094

IGT UNC Panel⁸ recommendation

At the IGT UNC Panel meeting of 18 June 2015, the IGT UNC Panel voted unanimously to recommend that IGT072 be implemented.

Our decision

We have considered the issues raised by the modification proposal and the FMR submitted on 19 June 2015. We have considered and taken into account the responses to the industry consultation on the modification proposal.⁹ We have concluded that:

- implementation of IGT072 will better facilitate the achievement of the relevant objectives of the IGT UNC;¹⁰ and
- directing that IGT072 be made is consistent with our principal objective and statutory duties.¹¹

Reasons for our decision

We note that IGT072 received four responses in support of implementation and a further two offering qualified support. There were no responses opposing its implementation.

Those offering qualified support both raised concerns over the impact that the non-effective days may have on their ability to effectively discharge obligations, both under licence and Regulations. These concerns were also shared by some of the respondents who nonetheless supported IGT072.

We agree with the IGT UNC Panel that IGT072 should be considered against relevant objective (c) of the IGT UNC, but given the possible implications for customer switching have also considered it against objective (d). We consider that IGT072 would have a neutral impact upon the other relevant objectives.

(c) the efficient discharge of the licensee's obligations

We agree with the respondents who suggested that the implementation of IGT072 would facilitate the efficient discharge of the licensees' obligations. Specifically, it facilitates the transition to the single service provision, pursuant to Standard Condition 11: (Agency).

Whilst it is regrettable that this cannot be achieved through a seamless transition from one set of systems to another, Xoserve has advised that the period of six non-effective days is necessary to facilitate this transition and that no alternative has been identified. Further details on this are available in the FMR.

We acknowledge the concerns raised by some respondents that the non-effective period may have an impact upon suppliers' ability to discharge their obligations with respect to

⁸ The IGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the IGT UNC Modification Rules

⁹ IGT UNC modification proposals, modification reports and representations can be viewed on the IGT UNC website at www.igt-unc.co.uk

¹⁰ As set out in Standard Condition 9 Gas Transporters Licence, available at: <http://epr.ofgem.gov.uk>

¹¹ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.

customer switching timescales. Suppliers have committed to switching timescales of 17 days, or three days from the statutory cooling off period¹² ending.

We note that any confirmations submitted prior to the start of the non-effective period will be completed by Xoserve, with the registration being effective in the new (Project Nexus) central systems. Any delay caused by the non-effective period will therefore be limited to those transfers for which the opening of the confirmation window would fall during the non-effective period. Standard Licence Condition 14A (Customer Transfer) requires gas suppliers to ensure that customers transfers can take place within three weeks of the cooling-off period ending. Given the standard timescale that industry is currently operating to, a period of six non-effective days should not necessarily extend a transfer beyond the prescribed period or preclude suppliers from continuing to discharge their licence obligations.

However, we also note the concern regarding suppliers' inability to cancel confirmations, even if this is prompted by the customer changing their mind during the cooling-off period. The IGT072 supporting report¹³ workgroup confirms that such cancellations may not be submitted to IGTs during the non-effective period. Given the relatively small number¹⁴ of IGT transfers each day and that a low percentage of those would be subject to a customer requested cancellation, we would welcome confirmation that these could instead be directed to Xoserve and be filtered out – if necessary manually - before registrations are completed on the new systems. In the absence of this, in order to avoid erroneous transfers we consider that it would be prudent for suppliers to await closure of the cooling off period and submit confirmation into Nexus systems. To the extent that this, or the non-effective period more generally, has any impact upon customer transfer timescales we would have appropriate regard to the extenuating circumstances of the transition between systems when assessing suppliers' compliance with the licence.

(d) the securing of effective competition between relevant shippers

We consider that fast and effective transfers are fundamental to the effective operation of the energy retail market. We have therefore given careful consideration to the potential implications for customer transfers during the non-effective period. We have concluded that six non-effective days will not have material impact on customer transfers during that period. We further consider that any adverse implications can be managed by industry parties and would in any case be outweighed by the significant benefits arising from the implementation of single service provision, which has strong industry support.

We also consider that without this non-effective period, Xoserve and the IGTs will not be able to manage an effective transition to the single service provision, which is itself expected to deliver significant benefits for competition as set out in our decision on IGT039 and which has strong support from gas suppliers.

We therefore consider that on balance, in facilitating the introduction of single service provision, IGT072 will further effective competition.

¹² Respondents referred to EU Directive 2011/83/EC, which was transposed into English law by the [Consumer Contracts \(Information, Cancellation and Additional Charges\) Regulations 2013](#)

¹³ See: www.igt-unc.co.uk/ewcommon/tools/download.ashx?docId=2907

¹⁴ The IGT072 supporting report workgroup suggests that an average of around 500 transfers per day may be expected on the IGT networks.

Implementation

We note that IGT072 is intended to be implemented with immediate effect, then over-written when IGT039 comes into effect on the Project Nexus implementation date. The legal text of IGT072 gives that date as being 1 October 2015, or such other date as may be determined by the Uniform Network Code Committee. This drafting is in line with the prevailing UNC, though we note that UNC548¹⁵ has been raised, seeking to modify this reference, pursuant to the recommendations of the Project Nexus Implementation Steering Group. We therefore consider that whilst there is nothing in the legal text of IGT072 that would prevent its implementation at this time, further modification may be required for the purpose of clarity and to ensure that all references to the Project Nexus implementation date remain aligned.

Decision notice

In accordance with Standard Condition 9 of the Gas Transporters licence, the Authority hereby directs that modification proposal IGT072: '*IGT Single Service Provision, non-effective days*' be made.

Angelita Bradney
Head of Smarter Markets

Signed on behalf of the Authority and authorised for that purpose

¹⁵ UNC548: [Project Nexus – deferral of implementation date](#)