

UNC Panel Chair, the Joint Office,
relevant Gas Transporters, Gas
Shippers, and other interested
parties

Email: industrycodes@ofgem.gov.uk

Date: 22 April 2020

Dear Wanda and colleagues

Uniform Network Code Modifications aimed at mitigating the impacts of COVID-19

We¹ have received requests from Northern Gas Networks and Gazprom Energy that four² Uniform Network Code (UNC) modifications proposals should be given urgent status and follow expedited modification procedures:

- UNC721 '*Shipper submitted AQ Corrections during COVID-19*'
- UNC722 '*Allow Users to submit Estimated Meter Reading during COVID-19*'
- UNC723 '*Use of Isolation Flag to identify sites with abnormal load reduction during COVID-19 period*'
- UNC724 '*Amendment to Ratchet charges during COVID-19 period*'

This letter confirms that we have agreed to those requests, and sets out the timetable under which the modifications will proceed.

Background

COVID-19 presents a serious challenge for the energy industry to tackle on behalf of the homes and businesses that depend on the sector for gas and electricity. The 'lock down' of non-essential sectors of the economy, the re-purposing of some sites, and changes in consumer behaviour means energy consumption is varying from season normal patterns to

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we', 'our' and 'us' are used interchangeably in this letter.

² Modification proposals are available at www.gasgovernance.com/livemods

an unprecedented extent. This is having a consequential impact throughout the energy supply chain at an unprecedented pace.

Against this backdrop a specially convened session of the UNC Distribution workgroup was held 14 April 2020 to consider the likely impacts of COVID-19 on the UNC arrangements and potential mitigating actions. To date, four modification proposals have emerged from those discussions. We have been asked, and have today agreed, to grant urgent status to each of those modification proposals, allowing them to progress to on expedited timetable as set out below.

The modification proposals

The modification proposals are proposing temporary changes to the UNC rules for the duration of the COVID-19 period. That period will be time limited and end in line with relevant government advice. In turn they specifically propose:

- UNC721 '*Shipper submitted AQ Corrections during COVID-19*' seeks to extend the circumstances under which a shipper may revise the Annual Quantity (AQ) – annual consumption of a gas at a meter – applicable to a registered supply point. The AQ value feeds through to fundamental industry calculations such demand estimation, consumption and allocation. Whilst the AQ would ordinarily be revised with the submission of each valid meter reading, this would only have a gradual effect as the rules are designed to ensure that the AQ is reflective of sustained levels of consumption, in effect smoothing out the variance that might otherwise be caused by atypical meter reads.
- UNC722 '*Allow Users to submit Estimated Meter Reading during COVID-19*' proposes to allow shippers to submit estimated meter readings for certain sites during the COVID-19 pandemic. As a result of the COVID-19 pandemic, routine meter reading activity has ceased, and in some cases remote meter reading may not be possible, whilst consumption patterns have changed significantly. Therefore, the modification would allow shippers to a mechanism to reconcile sites and energy more promptly than may otherwise be the case with 'lock down' restrictions in place.
- UNC723 '*Use of Isolation Flag to identify sites with abnormal load reduction during COVID-19 period*' proposes to allow shippers to use the existing central system process of 'isolation flag' to discount certain supply points which have seen a near-complete but not total reduction in gas usage due to 'lock down' restrictions from allocation, nomination and application of certain charges. Currently the 'isolation flag' process requires relevant shippers to warrant that certain on-site works have been completed, the modification proposes to temporarily waive that requirement.

- UNC724 'Amendment to Ratchet charges during COVID-19 period' proposes reducing application of ratchet charges for certain sites. Ratchet charges are aimed to incentivise certain booking behaviour by shippers so that relevant transporters can ensure sufficient capacity is available to safely meet demand to relevant sites in certain conditions. The proposer considers that for some sites it would be appropriate to amend application of ratchet charges due to the pace of events, and changes in site use. In particular, those sites whose consumption has increased in response to COVID-19, for example medical facilities including newly created temporary hospitals, food producers, and manufacturers of medical supplies or other relevant equipment. Due to the pace of events it is proposed that this be retrospective to 23 March 2020 to align with announcement of the beginning of 'lock down'.

UNC Modification Panel View

Given the circumstances we have not on this occasion sought a formal UNC Panel view on the proposals, as allowed for under paragraph 10.1.1(b) of the Modification Rules.³

However, we note that the development of these urgent proposals was discussed at the UNC Panel meeting of 16 April 2020 and that based on the information available, the consensus of UNC Panel members was that urgent status would be appropriate.

Authority Decision

We have considered the proposers' justification for urgency for the modifications proposals. We have assessed the requests against the urgency criteria set out in Ofgem's published guidance⁴. In general, we consider that an urgent modification should be linked to an imminent issue⁵ or a current issue that, if not urgently addressed, may cause a:

- i. significant commercial impact on parties, consumers or other stakeholder(s); or
- ii. significant impact on the safety and security of the electricity and/or gas systems, or;
- iii. party to be in breach of any relevant legal requirements.

We have also considered these modifications in the context of our enabling framework for regulatory flexibility during COVID-19, as set out in open letters issued recently to energy network⁶ and retail energy supply⁷ companies. In those letters, and other COVID-19

³ UNC Modification Rules: www.gasgovernance.co.uk/sites/default/files/Modification%20Rules_13.pdf

⁴ Ofgem Guidance on Code Modification Urgency Criteria: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>

⁵ The imminent issue may be date related.

⁶ See: https://www.ofgem.gov.uk/system/files/docs/2020/04/networks_letter_0.pdf

⁷ See: https://www.ofgem.gov.uk/system/files/docs/2020/04/supplier_letter.pdf

engagement with industry as a whole, we have encouraged parties to identify early, and appropriately mitigate, the impacts of COVID-19 to ensure consumers – especially the vulnerable – are protected from immediate harm, security of supply is maintained, and the health and safety colleagues and consumers is maintained.

We are satisfied that the progression of these modifications proposals and the need for an appropriate response to COVID-19 is “a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers, or other stakeholders(s)” and have therefore agreed that each modification proposal should follow the same urgent timetable as set out below.

Process	Date
Ofgem Decision on Urgency	22 April 2020
Consultation Commences	22 April 2020
Consultation Close-out for representations	27 April 2020
Final Modification Report available for Panel	28 April 2020
Modification Panel recommendation	30 April 2020
Ofgem Decision expected by	1 May 2020

For the avoidance of doubt, our decision on urgency should not be treated as any indication of our view on the merits of the modification proposals nor do we consider that they are mutually dependent.

Yours sincerely

Jacqui Russell
Head of Metering and Market Operations