

UNC Workgroup Report	At what stage is this document in the process?
<h1>UNC 0695:</h1> <h2>Obligations on Shippers to pass Transporter compensation payments on to consumers, via Suppliers</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 2px 5px; display: inline-block;">01 Modification</div> <div style="background-color: #0070c0; color: white; border: 1px solid #ccc; border-radius: 5px; padding: 2px 5px; display: inline-block;">02 Workgroup Report</div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 2px 5px; display: inline-block;">03 Draft Modification Report</div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 2px 5px; display: inline-block;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b> Introduce new obligations onto Shipper Users to ensure that Transporter compensation aimed at consumers is passed to registered suppliers for onward transmission to consumers</p>	
	<p>The Workgroup recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>• <u>subject to self-governance, and</u></li> <li>• <u>be issued to consultation</u></li> </ul> <p><u>The Panel will consider this Workgroup Report on 15 August 2019 and consider the recommendations and determine the appropriate next steps.</u></p>
	<p>High Impact: N/A</p>
	<p>Medium Impact: N/A</p>
	<p>Low Impact: Transporters, Shippers and CDSP (Consequential impact to Suppliers and Consumers)</p>

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The Panel will consider this Workgroup Report on ~~dd month 2019~~. The Panel will consider the recommendations and determine the appropriate next steps.

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Timetable	
<b>Modification timetable:</b>	
Initial consideration by Workgroup	27 June 2019
Workgroup Report presented to Panel	<del>15 August</del> 2019
Draft Modification Report issued for consultation	<del>15 August</del> 2019
Consultation Close-out for representations	<del>06 September</del> 2019
Final Modification Report available for Panel	<del>06 September</del> 2019
Modification Panel decision	<del>19 September</del> 2019 ( <i>at Short Notice</i> )

Any questions?

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## 1 Summary

### What

Currently where a Transporter is required to make a payment under the Gas (Standards of Performance) Regulations 2005 (as amended), known as Guaranteed Standards of Performance (GSoP), there is an ability to make payment via the registered Shipper and Supplier for the payment to be passed to the relevant consumer through their gas bill. A corresponding obligation is placed on Suppliers in the Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015 for these payments to be passed to the consumer within 10 working days of receipt of the distributed payment. There is currently no specific obligation for this to take place where compensation payments are outside the Regulations noted above. This Modification aims to codify the arrangements for any consumer compensation payment made by Transporters

### Why

While the arrangements for GSoP are tried and tested, there remains a gap for voluntary compensation that is not subject to the regulations. During large scale incidents there are often queries from consumers to chase their compensation as it has not been processed in a timely way through the entire supply chain. This Modification will place a specific obligation on the registered Shipper to pass the payment to the registered Supplier for onwards transmission. In addition to statutory compensation there may be other compensation payments that Transporters wish to pass on to consumers. This will close the gap for voluntary compensation payments made either alongside GSoP or for other specific purposes.

### How

Utilising the current CDSP processes, we will clarify the obligations and potentially introduce new charge codes for non-GSoP compensation payments.

## 2 Governance

### Justification for Self-Governance

Compensations payments made by Transporters are intended to be on a pass-through basis, and clarity on obligations to pass-through these payments using existing mechanisms will not have a material impact on UNC Parties or non UNC Parties. This clarity is will not have a material impact on existing or future gas consumers and will improve the efficiency of consumer compensation arrangements in the event of network failures under guaranteed and voluntary standards.

### Requested Next Steps

This Modification should:

- be considered a non-material change and subject to self-governance
- [proceed to Consultation](#)

[The Workgroup agree with the Panels view on self-governance for the reasons set out above. The Workgroup consider the Modification is suitably developed and should proceed to consultation.](#)

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While we request this is assessed by a Workgroup as a matter of good governance, it is not anticipated that there is a requirement for extended discussions....

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### 3 Why Change?

Existing arrangements are in place through the Central Data Service Provider (CDSP) for making payments to Shippers where a Transporter fails to meet some of the existing Gas (Guaranteed Standards of Performance) Regulations 2005 (as amended). This is most commonly used to make payments under GSoP1 where there is an interruption to a supply gas for a period of more than 24 hours and for GSoP2, failure to reinstate the customers premise within 5 working days. Under the existing arrangements Transporters pass information to the CDSP and a credit invoice is raised to the relevant Shippers along with supporting information. The successful processing of the credit invoice is deemed to be sufficient for the discharge of the Transporter obligations within the regulations. As these payments are aimed at redress for consumer detriment, the registered Shipper, who has obligations under section 15 of the Gas Shipper Standard Licence Conditions, should pass this onto the relevant Supplier who has obligations in The Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015 for these payments to be passed to the consumer within 10 working days of receipt of the distributed payment.

During large scale incidents there are often queries from consumers to chase their compensation as it has not been processed in a timely way through the entire supply chain. This Modification will place a specific obligation on the registered Shipper to pass the payment to the registered Supplier for onwards transmission within defined timescales.

There have been a number of large-scale incidents over the past 2 years, often caused by a third party damaging the pipe. Following these incidents there have been many cases of consumers contacting Transporters advising they have not yet received their payment; this can be months after the Transporter payment has been made. The Gas Shipper Licence Conditions do not give a specific timescale for payments to be passed through, therefore this Modification aims to remove this ambiguity by matching the time scales in The Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015.

Some Transporters have chosen to increase the value of compensation that they pay to the consumer, and are considering additional consumer compensation that would be relevant under RIIO (Revenue=Incentives+Innovation+Outputs) GD2.

There may also be additional times where a transporter would like to pay non-statutory compensation to a consumer, which is not under a specific GSoP. There is currently no specific obligation for this to take place where compensation payments are outside the Regulations and Licence conditions noted above and this Modification aims to codify the arrangements for any consumer compensation payment made by Transporters. This will close the gap for non-statutory compensation payments made either alongside GSoP or for other specific purposes.

A corresponding Supply Point Administration Agreement (SPAA) Change Proposal is also being raised to ensure that non-statutory compensation payments passed through from Shippers is passed through the supply chain and relayed to the relevant consumer.

### 4 Code Specific Matters

#### Reference Documents

[The Gas \(Standards of Performance\) Regulations 2005](#)

[The Electricity and Gas \(Standards of Performance\) \(Suppliers\) Regulations 2015](#)

[Gas Shipper Standard Licence Conditions](#)

**Knowledge/Skills**

N/A

**5 Solution**

In order to ensure that consumers receive their compensation in a timely manner it is proposed that the 10 Working Day model included in the Supplier Regulations is replicated for Shippers. These are intended to be on a pass-through basis and will be issued with supporting information to identify the relevant Meter Point Reference Numbers (MPRNs),

New obligations to ensure that Shippers pass both statutory and non-statutory consumer payments to the relevant Supplier added to TPD Section [V11.1].

For the avoidance of doubt, the intention is to utilise existing functionality for GSoP payments, so there should be minimal impacts on parties.

**6 Impacts & Other Considerations**

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

None identified

**Consumer Impacts**

Improved certainty of receiving Transporter compensation in a timely manner.

Consumer Impact Assessment <i>(Workgroup assessment of proposer initial view or subsequent information)</i>	
Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none"> <li>Domestic Consumers</li> <li>Small non-domestic Consumers</li> <li>Large non-domestic Consumers</li> <li>Very Large Consumers</li> </ul>
What costs or benefits will pass through to them?	<u>The Modification would provide greater surety that transporter compensation would be received by the consumer in a timely manner.</u>
When will these costs/benefits impact upon consumers?	As soon as implemented.
Are there any other Consumer Impacts?	<u>None identified.</u>

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 Are there any impacts on switching? ¶  
 Is the provision of information affected? ¶  
 Are Product Classes affected? ¶

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### Cross Code Impacts

A SPAA change would be required to ensure that obligations pass through the supply chain is also being raised.

The Workgroup was advised that a similar Modification has been raised through SPAA governance to ensure contractual continuity.

### EU Code Impacts

None identified

### Central Systems Impacts

Minimal impacts anticipated, e.g. new charge code as the intention is to utilise existing system functionality where appropriate to do so.

### Workgroup Impact Assessment

The impact assessment has been completed and Workgroup agree that there are no outstanding significant issues.

The only minor concern raised at the final Workgroup meeting was regarding the mechanism that would apply in the event no supplier was operating at the site, for example if the supplier ceased to operate, but it was agreed that this issue is an unlikely scenario and should not halt the progress of the Modification.

### Rough Order of Magnitude (ROM) Assessment

The solution is a relatively straightforward change. Payments to shippers would be made using existing invoice items and identified using new charge codes.

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**Rough Order of Magnitude (ROM) Assessment (Workgroup assessment of costs)¶**

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## 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) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> <li>(i) the combined pipe-line system, and/ or</li> <li>(ii) the pipe-line system of one or more other relevant gas transporters.</li> </ul>	None
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: <ul style="list-style-type: none"> <li>(i) between relevant shippers;</li> <li>(ii) between relevant suppliers; and/or</li> <li>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.</li> </ul>	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.	<u>Positive.</u>
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

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Gas Transporter Standard Licence Condition 20 ~~requires~~ the passing of payments through the supply chain, this Modification ~~facilitates the efficient delivery of this obligation by formalising the timeframe.~~

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By formalising a 10-day pass-through window in the Code for shippers, all compensation payments, both statutory and non-statutory, will flow in a consistent timeframe. Accordingly, the Workgroup believes a single, consistent mechanism will ease and improve the administration of the code. Thereby furthering relevant objective f.

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## 8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

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## 9 Legal Text

Legal Text has been provided by [Northern Gas Networks](#), and is included below. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

### Text Commentary

*A new clause will be inserted into TPD V which obligates Shippers to process all pass-through payments (statutory and non-statutory) to the relevant supplier within 10 business days of receipt from the Transporter so it can be passed on to the consumer. A further clause will be inserted into TPD J to clarify that the above arrangements will also apply to compensation payments for 'Gas not made available for offtake' for LDZ Supply Points at Nondomestic Premises whose AQ exceeds 73,200 kWh per annum.*

### Text

#### TRANSPORTATION PRINCIPAL DOCUMENT SECTION V: GENERAL

*Insert new paragraph 11.1.6 to read as follows:*

*11.1.6 Where a User receives a distributed payment for consumer compensation it will relay the distributed payment to the Registered Supplier, or in the absence of any Registered Supplier direct to the end consumer, within 10 Business Days of receipt of the distributed payment.*

#### TRANSPORTATION PRINCIPAL DOCUMENT SECTION J: EXIT REQUIREMENTS

*Amend paragraph 3.5.2 to read as follows:*

*3.5.2 ~~Not used.~~ For the purposes of section 3.5.3 section V 11.1.6 will apply.*

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that this modification should proceed to consultation.

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Legal text will be drawn up by the relevant Transporter at a time when the modification is sufficiently developed in line with the [Legal Text Guidance Document](#).¶*

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11.1.6 Where a User receives a distributed payment for consumer compensation it will relay the distributed payment to the Registered Supplier within 10 working days of receipt of the distributed payment.¶*

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