
Uniform Network Code (UNC) 0862: Amendments to the current Unidentified Gas Reconciliation Period arrangements

Decision:	The Authority ¹ directs this modification to be made ²
Target audience:	UNC Panel, Parties to the UNC and other interested parties
Date of publication:	29 November 2024
Implementation date:	To be determined by the code administrator

Background

The Unidentified Gas³ (UIG) Reconciliation period under the Uniform Network Code (UNC) is currently set at 12 months ending with (and including) the Reconciliation Billing Period. This means that a Shipper is responsible for a percentage of the UIG costs for 12 months for the period of the site's ownership. As a result, if a site is taken over by a new Shipper or the current Shipper chooses to exit the market, the old Shipper will be responsible for the UIG charge on amendment invoices for the site for 12 months, although this will decrease over the 12-month period.

The 12-month reconciliation period was originally implemented as it was believed by UNC parties that the majority of reconciliations would happen within 12 months. It was also believed that setting a 12-month reconciliation period as opposed to a longer period would be a lower barrier for Shippers⁴ wishing to exit the market.

Since the introduction of smart meters, which allow automatic monthly meter readings, more sites are now being reconciled in less time than the current 12 months, resulting in a less accurate distribution of UIG.

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 [Unidentified Gas \(UIG\) is defined in the Uniform Network Code \(UNC\) under TPD H2.6.1](#)

⁴ [Shipper is defined in the UNC under section GT C2.9.2\(c\)](#)

The modification proposal

Modification Proposal UNC0862: Amendments to the current Unidentified Gas Reconciliation Period arrangements was raised by SEFE Energy (“the Proposer”) on 27 October 2023.

This modification would amend the current UIG reconciliation period that spreads the UIG equally over 12 months and will change it to a variable reconciliation period based on when the gas was consumed. This reconciliation period can run from one month up to the Code Cut Off Date⁵ more commonly referred to as the line in the sand.

Example

A reconciliation takes place for a site in which meter readings were submitted in September and the following January.

Current arrangements

A reconciliation taking place in January where a site had previously reconciled in September would see UIG smeared back equally over 12 months from January and UIG allocated outside the consumption period of September to January.

New arrangements

Under modification UNC0862, UIG costs would be smeared back across 4 months over the period the gas was consumed to the last reconciliation date in September as opposed to being spread equally over 12 months backwards from January.

This proposal, according to the Proposer, will not see any changes to how UIG is calculated or the value associated with the UIG at the reconciliation date, nor will it impact any other UIG processes. This modification would only see that UIG is correctly attributed to the period in which it was consumed.

⁵ [Code cut off date is defined under UNC section GT C1](#)

UNC Panel⁶ recommendation

At the UNC Panel meeting on 19 September 2024, the UNC Panel considered that UNC0862 would better facilitate the UNC objectives, and the Panel therefore unanimously recommended its approval. The UNC Panel agreed that UNC0862 would better facilitate relevant objective (d).

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 19 September 2024. We have considered and taken into account the responses to the industry consultation on the modification proposal which are attached to the FMR⁷.

We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC;⁸ and
- directing that the modification be made is consistent with our principal objective and statutory duties.⁹

Reasons for our decision

We consider this modification proposal will better facilitate UNC relevant objective (d) and has a neutral impact on the other relevant objectives.

(d) so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:

(i) between relevant shippers;

⁶ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

⁷ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.co.uk

⁸ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: [Licences and licence conditions | Ofgem](#)

⁹ 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.

(ii) between relevant suppliers; and/or

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers

The Proposer believes that this modification will better facilitate relevant objective (d) by removing the equal 12-month smear of UIG in favour of allocating it over the period it was consumed. The Proposer states that this method will better reflect the Shipper's actual position, which is likely to result in a fairer and more transparent distribution.

All consultation respondents were in favour of the modification proposal with all highlighting that by moving to reconcile in the period the gas was consumed would be a more accurate way of allocating UIG. Several respondents also pointed out that the new model would lead to fairer allocation overall. One respondent also noted that moving to this new model would increase transparency of UIG allocation.

Another respondent noted that moving to this model would make it easier for industry parties to better understand and explain to consumers the concept of UIG allocation in general.

The Proposer noted that while there is likely to be no impact for consumers with this modification, the UNC Panel during discussions believed that there may be a positive impact for large non-domestic consumers. The Panel noted that non-domestic consumers who had pass-through costs would see a change in shape to their recovery of these costs with them being paid when the energy was consumed. The Panel also felt that this would ensure the explanation of the costs is easier to understand for these customers.

We agree with the Proposer that this modification will better facilitate relevant objective (d) and agree with the UNC Panel on the benefits it may bring to large non-domestic consumers, particularly in the case of explaining UIG costs to these consumers.

Moving to a model where UIG reconciliation is done over the period the gas was consumed is likely to bring accuracy benefits to settlement. This will be assisted by the smart meter rollout, which provides the ability for Shippers to receive monthly readings that reduce the uncertainty around meter reading frequency which can lead to large UIG volumes being reconciled.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority has decided that modification proposal UNC 0862: Amendments to the current Unidentified Gas Reconciliation Period arrangements should be made.

Michael Walls

Head of Retail Market Operations and Smart Metering

Signed on behalf of the Authority and authorised for that purpose