

Representation - Draft Modification Report UNC 0844

Enabling Direct Contractual Arrangements with Consumers for Demand Side Response

Responses invited by: 5pm on 13 July 2023

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Phil Hobbins
Organisation:	National Gas Transmission (NGT)
Date of Representation:	04 July 2023
Support or oppose implementation?	Support
Relevant Objective:	<p>a) Positive</p> <p>b) Positive</p>
Relevant Charging Methodology Objective:	Not Applicable

Reason for support: Please summarise (in one paragraph) the key reason(s)

As Proposer, NGT supports implementation of this Modification, which is designed to increase the availability of routes to market through which large gas consumers can offer demand reduction to NGT at times when total system demand is forecast to outstrip total supplies in order to minimise the risk of entering and / or reduce the duration of a Gas Deficit Emergency. NGT notes that no Workgroup participants disagreed with NGT's assessment that relevant objectives (a) and (b) would be better facilitated by this Modification.

Feedback received during the development and implementation of Modification 0822 suggested that the existing voluntary DSR contractual structure, whereby NGT is only permitted to make DSR arrangements with the Registered User(s) of a Consumer that would physically deliver the demand reduction, may be a barrier to greater Consumer participation. Users highlighted that for them to adopt this 'intermediary' role could expose them to commercial and operational risks without commensurate reward and as such may deter them from putting arrangements in place with Consumers that would enable them to offer DSR to NGT. Since participation in the DSR market is voluntary, this may mean that Consumers that wish to offer DSR to NGT are not able to do so. This Proposal will remove this barrier and enable another route to market for Consumers, thereby increasing the quantity of DSR that could be made available from the population of eligible sites.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

As stated in the Modification, NGT proposes that the implementation date should be the next business day following the Authority's decision. The Authority's decision is sought in early August 2023 to enable NGT to prepare the necessary documents and processes to enable Consumers to participate in the annual DSR options tender which is to be issued not later than 31 August 2023.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

NGT would need to expand its existing procurement process (including assessment) for DSR options to enable participation by Consumers as well as Users. NGT would also need to create/amend its operational procedures for exercising DSR options to include a direct relationship with Consumers. Additional effort from existing teams will be required to complete these activities and therefore no specific implementation costs are envisaged for NGT, although this assessment may change if the scale of participation were to increase materially.

The CDSP has confirmed that its role in supporting NGT with its DSR options assessment process, issuing invoices to Consumers and making associated adjustments to energy balancing neutrality / shipper EBIs is not expected to entail an implementation cost provided that the numbers of Consumers engaged in a direct contractual arrangement with NGT remains manageable (indicatively below 30) but that this will nonetheless require additional effort from existing teams within the CDSP.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

During the consultation period, NGT has noticed that Business Rule 38, which proposes that DSR exercise fees paid to Consumers shall be funded by balancing neutrality and the costs recovered via energy balancing invoices, is not reflected in the legal text. NGT also proposes to clarify in the legal text that the arrangements for payment of exercise fees to Consumers shall be contained in the DSR Contract.

Once this omission was discovered, NGT promptly provided a marked-up version of the amended text for 0844 and the combined text for 0844 and 0845 to the Joint Office and an email notifying the industry was issued on 30 June 2023.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

N/A

Please provide below any additional analysis or information to support your representation

N/A