

Penny Garner
Joint Office of Gas Transporters

By email

Email: mathew.chandy@ofgem.gov.uk

Date: 14 December 2023

Dear Penny,

UNC Modification 0852S¹: Shipper Notification in Relation to Option Exercise for Customer Demand Side Response.

We² have received notification from the Joint Office on 17 August 2023 that Uniform Network Code (UNC) modification proposal 0852S: Shipper notification in relation to option exercise for Customer Demand Side Response (hereafter “UNC852S”) was considered a non-material change and therefore subject to Self-Governance. This letter confirms that we reject the Self-Governance Statement³ received and direct that UNC852S should come to the Authority for decision.⁴

Background

Gas Demand Side Response (“DSR”) is a voluntary demand reduction scheme which is intended to reduce the likelihood, severity and duration of a gas supply emergency, in the event that one occurs. It does this by providing a route for large consumers to receive greater financial compensation by voluntarily curtailing their demand, than if they were involuntarily curtailed during an emergency. Each year National Gas Transmission (“NGT”)

¹ UNC Modification 0852S: <https://www.gasgovernance.co.uk/0852>

² 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.

³ Ofgem’s power to reject a ‘Self-Governance Statement’ is set out in UNC Modification Rules 6.6.3 <https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2021-03/19%20Modification%20Rules.pdf>

⁴ This is the procedure set out in the UNC and we understand that although a Self-Governance Statement was issued to the Authority by the Code Administrator, it did not include a Proposed Self-Governance Modification Proposal Determination Date. In the absence of this we are still rejecting the Self-Governance Statement bringing the decision before the Authority for decision.

issues an invitation to all Users⁵ to offer DSR quantities (known as “DSR Options offers”⁶) for the next three Winter Periods.⁷

Enhancements to DSR have been made through several UNC code modifications, including UNC844⁸ and UNC845⁹, with UNC844 allowing Class 1¹⁰ consumers to directly contract with NGT when making a DSR Options offer. As part of discussions for these modifications, concerns were raised that under a direct contracting agreement between Class 1 consumers and NGT, Class 1 consumers must notify their shipper if their DSR Option offer is exercised.

UNC852S was proposed by SEFE Energy (the “Proposer”) on 7 July 2023 to introduce a requirement for NGT to notify shippers when a relevant consumer-contracted DSR Options offer is exercised, which may help shippers to avoid imbalance charges if the Class 1 consumer does not notify their shipper in time.

UNC Modification Panel View

At a Panel Meeting on 17 August 2023, the UNC Modification Panel (“the Panel”) considered whether this modification should go to the Authority for decision. During this meeting the Ofgem representative expressed Ofgem’s view that this modification should be subject to Authority direction.¹¹

The Panel determined that the modification proposal satisfies the Self-Governance Criteria¹² and nine Panel members voted in favour of Self-Governance with five not in favour. The Panel endorsed the Proposer’s view that the modification is unlikely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any associated commercial activities. The Proposer believes that this is because it relates to a small change relating to a very limited number of circumstances.

Reasons for decision

⁵ For the purposes of these Rules, references to a User includes a Relevant Shipper: <https://www.gasgovernance.co.uk/sites/default/files/qgf/page/2022-11/20%20Modification%20Rules.pdf>

⁶ DSR Option Offer definition can be found in the UNC TPD Section D, 7.1.3(d)

⁷ A ‘Winter Period’ is defined as being the period from 1st November in any year up to and including 30 April in the following year.

⁸ UNC844 Decision Letter: <https://www.ofgem.gov.uk/publications/unc844-enabling-direct-contractual-arrangements-consumers-demand-side-response-decision>

⁹ UNC845 Decision Letter: <https://www.ofgem.gov.uk/publications/unc845-enhancements-demand-side-response-dsr-arrangements-including-d-5-product-decision>

¹⁰ The definition for Class 1 consumers can be found in the UNC TPD Section G, 2.1.3

¹¹ 17th August 2023 UNC Panel Meeting Minutes: <https://www.gasgovernance.co.uk/sites/default/files/qgf/2023-08/Panel%20Minutes%20310%2017%20August%202023%20v1.0.pdf>

¹² The self-governance criteria can be found in Standard Special Condition A11(24)(a): <https://www.ofgem.gov.uk/sites/default/files/2023-03/Standard%20Special%20Condition%20-%20PART%20A%20Consolidated%20-%20Current.pdf>

In reaching our decision, we have considered the Proposer's and Panel's views on this modification progressing down the Self-Governance route.

The Authority is of the view that UNC852S may have a material effect on security of supply as it is placing an additional obligation on NGT to notify shippers, which may interact with NGT's role as the Network Emergency Coordinator where its control room may be operationally occupied in preventing a potential Gas Deficit Emergency.¹³ For this reason, we reject the Self-Governance Statement and we consider it appropriate that UNC852S should come to the Authority for a decision.

For avoidance of doubt, in bringing the decision before the Authority, we have made no assessment of the merits of the Proposal and nothing in this letter in any way fetters our discretion in respect of the Proposal.

If you have any further questions, please contact Mathew.Chandy@ofgem.gov.uk.

Yours sincerely,

Helen Seaton
Interim Head of Energy Security of Supply

¹³ A Gas Deficit Emergency is a Network Gas Supply Emergency which arises as a result of a supply/demand imbalance, a transportation constraint or a potential or actual breach of a Safety Monitor.