









| UNC Workgroup Report   | At what stage is this document in the process?  |
|--|---|
| <h1>UNC 0852S:</h1> <h2>Shipper notification in relation to option exercise for Customer Demand Side Response</h2>   | <div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #00a651; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="background-color: #00a651; color: white; border-radius: 50%; padding: 2px 5px;">01</span> Modification         </div> <div style="border: 1px solid #0072bc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="background-color: #0072bc; color: white; border-radius: 50%; padding: 2px 5px;">02</span> Workgroup Report         </div> <div style="border: 1px solid #9933cc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="background-color: #9933cc; color: white; border-radius: 50%; padding: 2px 5px;">03</span> Draft Modification Report         </div> <div style="border: 1px solid #ff9900; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="background-color: #ff9900; color: white; border-radius: 50%; padding: 2px 5px;">04</span> Final Modification Report         </div> </div> |
| <p><b>Purpose of Modification:</b></p> <p>To require National Gas to notify the relevant Shipper in the event that a Customer Demand Side Response option is exercised.</p>  |   |
| <p><b>Next Steps:</b></p> <p>The Workgroup asks Panel to agree that this Modification should proceed to consultation. The Panel will consider this Workgroup Report on 18 January 2024. The Panel will consider the recommendations and determine the appropriate next steps.</p> <p>Panel to note that the Authority issued a letter on 14 December 2023 directing that this Modification should be subject to Authority Direction.</p> |   |
| <p><b>Impacted Parties:</b></p> <p>High: Shippers and Suppliers and National Gas Transmission</p> <p>Low:</p> <p>None:</p>   |   |
| <p><b>Impacted Codes:</b></p>  |   |

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| Timetable  |                                |  |
| <b>Modification timetable:</b>                             |                                |  |
| Pre-Modification discussion                                | 06 July 2023                   |  |
| Date Modification Raised                                   | 07 July 2023                   |  |
| New Modification to be considered by Modification Panel    | 17 August 2023                 |  |
| First Workgroup Meeting                                    | 07 September 2023              |  |
| Workgroup Report to be presented to Modification Panel     | 18 January 2024                |  |
| Draft Modification Report issued for Consultation          | 19 January 2024                |  |
| Consultation Close-out for representations                 | 08 February 2024               |  |
| Final Modification Report available for Modification Panel | 13 February 2024               |  |
| Modification Panel recommendation (at short notice)        | 15 February 2024               |  |
| Final Modification Report issued to Ofgem                  | 16 February 2024               |  |
|  |                                |  Any questions?   |
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## 1 Summary

### What

1. As part of the development of [Modification 0844: Enabling Direct Contractual Arrangements with Consumers for Demand Side Response](#), discussions took place in relation to a request for Shippers to be notified when direct Customer Demand Side Response options were exercised.
2. It is expected that the number of Demand Side Response contracts will remain low with the Central Data Service Provider Rough Order of Magnitude assessment based on 30 customers.

This ROM is based on a maximum of 30 consumers each month. If the number of requests exceeds this value then an assessment will be carried out to review the additional efforts.

### Why

3. Both the Shipper and Customer representatives in the Modification 0844 Workgroup felt that requiring National Gas to contact Shippers when Consumer Direct Demand Side Response was triggered would be prudent.
4. It was noted that the resourcing more broadly in the event of an incident was agile and thus suitable resources could be brought in to meet the relevant requirements.
5. National Gas did affirm in the legal text that they will notify the relevant DN Operator (text below from TPD Section D)

8.7.6 Where National Gas Transmission exercises a DSR Option, if the Supply Meter Point is a LDZ Supply Meter Point it will notify the relevant DN Operator of the exercise.

6. National Grid were, despite requests to, unwilling to provide a similar service to Shippers

7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will not inform the Registered User of the Supply Meter Point of the exercise;

### How

7. We propose to introduce a requirement on National Gas to notify the relevant Shipper (suggested text is below)

7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will inform the Registered User of the Supply Meter Point of the exercise.

## 2 Governance

### Authority Direction

Ofgem rejected the Self-Governance statement on 14 December 2023. Please refer to the published letter at: <https://www.gasgovernance.co.uk/0852>

### Next Steps

This Modification should be considered a material change and not subject to Self-Governance.

### Workgroup's Assessment

An initial Representation submitted by National Gas Transmission argued there is potential for the number of consumers holding DSR Options to grow and therefore for a corresponding increase in the number of notifications that NGT would have to provide to shippers if Mod 0852 were to be implemented. This could compromise NGT's ability to manage a national gas supply shortage effectively and efficiently, detrimentally impacting GB gas security. NGT therefore consider that this Modification could have a material effect and thus should be re-classified as Authority Direction.

An Ofgem representative noted that under normal operation the effectiveness of the control rooms should be maintained and Ofgem will consider during the Workgroup development stage whether this Modification meets the Self-Governance criteria, and in particular how the Proposal might affect control room operations if there is a significant uptake of DSR.

Workgroup Participants noted that Ofgem can 'call-in' a Self-Governance Modification for Authority Direction

The Proposer countered that the Proposal does not specify a mechanism for communication whilst much of the discussion appeared to lean on an assumption that the notification would be made by telephone. Thus, the process need not be burdensome. If the communication mechanism is not burdensome then the obligation would not be material.

In addition, the Proposer reiterated that the Proposal is made in the context of the current situation where the numbers are relatively small and that NGT had not provided evidence in the Workgroup that this would introduce a material burden.

The NGT representative countered that if the market grows in the way that all parties hope then the numbers could become significant and therefore the obligation to notify would become burdensome.

At the January 2024 meeting Workgroup Participants noted that the Authority issued a letter on 14 December 2023 directing that this Modification should be subject to Authority Direction.

Some Workgroup Participants pointed out that no evidence has been presented by NGT that 12 contacts as would be needed under current conditions present a material risk to the control room and indeed that if 12 contacts is a material risk under current operations then there are broader concerns about the control room.

The NGT representative pointed to aspirations to grow the DSR market and that the control room is not under-resourced but that if DSR is being called then the control room must focus on their core task and not on an administrative task.

### 3 Why Change?

1. As part of the development of Modification 0844: Enabling Direct Contractual Arrangements with Consumers for Demand Side Response discussions took place in relation to a request for Shippers to be notified when Customer Demand Side Response options were exercised.
2. It is expected that the number of Demand Side Response contracts will remain low with the Central Data Service Provider Rough Order of Magnitude assessment based on 30 customers.

This ROM is based on a maximum of 30 consumers each month. If the number of requests exceeds this value then an assessment will be carried out to review the additional efforts.

3. Both Shipper and Customer representatives in the Modification 0844 Workgroup felt that requiring National Gas to contact Shippers when Consumer Direct Demand Side Response was triggered would be beneficial.

4. It was noted that the resourcing more broadly in the event of an incident was agile and thus suitable resources could be brought in to meet the relevant requirements.
5. National Gas did affirm in the legal text that they will notify the relevant DN Operator (text below from TPD Section D)
  - 8.7.6 Where National Gas Transmission exercises a DSR Option, if the Supply Meter Point is a LDZ Supply Meter Point it **will notify** the relevant DN Operator of the exercise.
6. National Grid were, despite requests to, unwilling to provide a similar service to Shippers
  - 7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will not inform the Registered User of the Supply Meter Point of the exercise;
7. We propose to introduce a requirement on National Gas to notify the relevant Shipper (suggested text is below)
  - 7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it **will** inform the Registered User of the Supply Meter Point of the exercise.

## 4 Code-Specific Matters

### Reference Documents

TRANSPORTATION PRINCIPAL DOCUMENT SECTION D – OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

### Knowledge/Skills

An awareness of the current DSR rules in UNC and where they feature in the emergency arrangements would be helpful. In the UNC, these are contained in TPD section D5. Awareness of operations and contractual relationships between Shippers and Consumers.

## 5 Solution

The Business Rules (BR) are set out below:

**BR1.** Introduce a requirement on National Gas to notify the relevant Shipper (Registered User of the Supply Meter Point) when exercising a Consumer DSR Option.

**Note:** Suggested legal text:

*TPD Section D*

*7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it **will** inform the Registered User of the Supply Meter Point of the exercise.*

## 6 Impacts & Other Considerations

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

No.

## Consumer Impacts

### What is the current consumer experience and what would the new consumer experience be?

The outcome should be an additional level of notification that was requested by both the Shipper and Customer representatives at Workgroup 0844 - Enabling Direct Contractual Arrangements with Consumers for Demand Side Response.

| Impact of the change on Consumer Benefit Areas: |                   |
|---|-------------------|
| Area  | Identified impact |
| Improved safety and reliability                 | None              |
| Lower bills than would otherwise be the case    | None              |
| Reduced environmental damage                    | None              |
| Improved quality of service                     | None              |
| Benefits for society as a whole                 | None              |

## Cross-Code Impacts

None identified.

## EU Code Impacts

None

## Central Systems Impacts

None identified.

## Workgroup discussion of other system impacts

Workgroup discussions centred around this being a telephone call to between 1 and 12 customers and thus not requiring any automated system. For greater numbers an automated approach might be more suitable but the Proposal is agnostic to the technical solution that might be required in such circumstances.

## Performance Assurance Considerations

No implications identified.

## Initial Representations

An initial representation was submitted by National Gas Transmission and considered at the October Workgroup meeting. Workgroup Participants were reminded that the issue of whether NGT should be obliged to notify the shipper upon DSR exercise directly with a consumer was a point on which NGT and Shippers were unable to

agree during the development of Modification 0844 'Enabling Direct Contractual Arrangements with Consumers for Demand Side Response'. This point was characterised as a 'Marmite' issue.

On a point of principle NGT argued that it does not wish to step any further into the shipper role as Modification 0852 proposes. NGT believes if DSR is called the consumer should inform the Shipper as part of the 'business as usual' practice. Exercise of a DSR option is one of many factors that could cause a consumer's planned rate of offtake on a given day to change from what was previously expected, for which NGT assume there must be communication arrangements in place already between site and Shipper to enable the Shipper to submit accurate transportation nominations and manage its scheduling and imbalance risk.

On a practical point NGT argued that as DSR could be called 24/7, notification by NGT to the Shipper would need to be a control room activity. NGT expressed concern that an additional administrative requirement to phone and/or email the registered Shipper(s) at a time of high intensity control room activity would detract from the GNCC's ability to discharge its primary role in that circumstance of managing the supply shortage and maintaining efficient system operation.

Some Workgroup Participants noted these points but could not align with the NGT position.

## Panel Questions

- **Identify potential operational impacts on control rooms should communications be required for Shippers at times when the operators are attempting to avoid an incident escalating.**

A response to this question formed the substance of the initial representation submitted by NGT (see above and appended).

The NGT representative argued that instant access to an administration support function may be more complicated than initially perceived as resources are not always freely available.

A Workgroup Participant challenged the NGT position and argued that early indications are that there would be relatively few sites taking up the DSR service and therefore the potential burden upon the control room should not be great. The NGT response is that the number of DSR participants may well increase and that is the intended purpose of the changes made under Modification 0844 so the control room operations might be compromised in future.

Workgroup Participants discussed the difference between GDN and Shipper notifications noting that NGT is committed to notify GDNs if DSR is exercised. Workgroup Participants acknowledged that there are existing arrangements in place for notifications between control rooms because GDNs do not have a contractual relationship with the site operator or shipper that would provide the necessary information for GDNs to properly manage operations in their networks if load is shed under DSR, e.g. it was clarified that the GDNs need to know which sites have ceased offtake if the situation progresses into a gas demand emergency and they are seeking to minimise offtakes from the NTS.

Workgroup Participants debated whether the NGT control room may be able to call upon additional administrative staff to perform the Shipper notifications by a process that depends on manual intervention e.g. by telephone or e-mails (if this Proposal is approved). A Workgroup Participant suggested that NGT could investigate the use of a systemised solution and that other forms of communication could be utilised. The NGT representative noted that development of a system, for a process that may only be called very rarely, would come at a cost and such investment might be inefficient.

The Proposer noted that the DSR mechanism has a cost of c £30million as an 'insurance policy' and its implementation was based on a judgement that it is efficient. A modest additional investment in a communication tool to support the product would also be efficient.

Workgroup Participants could not reach unanimous agreement on the materiality of this issue.

## 7 Relevant Objectives

| Impact of the Modification on the Transporters' Relevant Objectives:   |                   |
|--|-------------------|
| Relevant Objective   | Identified impact |
| a) Efficient and economic operation of the pipe-line system.   | None              |
| b) Coordinated, efficient and economic operation of<br>(i) the combined pipe-line system, and/ or<br>(ii) the pipe-line system of one or more other relevant gas transporters.   | None              |
| c) Efficient discharge of the licensee's obligations.  | None              |
| d) Securing of effective competition:<br>(i) between relevant shippers;<br>(ii) between relevant suppliers; and/or<br>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers. | Positive          |
| 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.   | None              |
| 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              |

d) The inclusion of notification to Shippers in the event that Consumers direct Demand Side Response is triggered will provide an additional level of security for Shippers and Consumers. This is particularly relevant as direct contracting between National Gas and Consumers is atypical.

### Workgroup Assessment of Relevant Objectives

A Workgroup Participant noted that the Proposer considers Mod 0852 to be positive for (d) securing effective competition, yet the rationale is concerned with additional security for shippers rather than competition benefits.

A Workgroup Participant argued that this Proposal is neutral in respect of RO d)



## 8 Implementation

ASAP - Under Self Governance arrangements this could be implemented 15 days after a decision.

Workgroup Participants noted the debate on the Governance route that this Proposal may follow and the consequential effect this may have on implementation timescales.

## 9 Legal Text

### Text Commentary

#### MODIFICATION 0852

Shipper notification in relation to option exercise for Customer Demand Side Response

#### LEGAL TEXT - EXPLANATORY TABLE

| Reference  | Explanation   |
|--|---|
| TRANSPORTATION PRINCIPAL DOCUMENT                          | -   |
| SECTION D – OPERATIONAL BALANCING AND TRADING ARRANGEMENTS | -   |
| Amended paragraph 7.9.6                                    | Delete word 'not' so that the clause is amended to introduce an obligation for National Gas Transmission to inform the Registered User of the Supply Meter Point of the exercise. |

### Text

#### TPD Section D

7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will inform the Registered User of the Supply Meter Point of the exercise.

### Workgroup Assessment

The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

## 10 Recommendations

### Workgroup's Recommendation to Panel

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

Workgroup Participants request that a question be included in the consultation that seeks to gain additional evidence from resposdee's in respect of its materiality i.e. from Shippers, Suppliers and Customers as to why National Gas should be required to provide this service over and above normal BAU activities that apply in

relation to a Customers normal contractual interactions with its Supplier and/or Shipper and from National Gas as to why providing this service may have a material impact on the operations of the control room.

## 11 Appended Representations

Initial Representation – National Gas Transmission

**Initial Representation - UNC 0852**

**Shipper Notification in Relation to Option Exercise for Customer Demand Side Response**

|  |  |
|--|--|
| <b>Representative:</b>                             | Phil Hobbins   |
| <b>Organisation:</b>                               | NGT  |
| <b>Date of Representation:</b>                     | 03 October 2023  |
| <b>Relevant Objective(s):</b>                      | Negative for relevant objectives<br><br>a) Efficient and economic operation of the pipeline system<br><br>(d)(i) securing of effective competition between relevant shippers |
| <b>Relevant Charging Methodology Objective(s):</b> | Not Applicable   |

**Reason for opposition:**

The issue of whether NGT should be obliged to notify the shipper upon DSR exercise directly with a consumer was a point on which NGT and shippers were unable to agree during the development of Modification 0844 ‘Enabling Direct Contractual Arrangements with Consumers for Demand Side Response’. Modification 0852 has been raised by SEFE Energy to place this obligation onto NGT. The purpose of this initial representation is to set out our current thinking on this issue ahead of the debate in the 0852 Workgroup.

In summary, we agree that the shipper needs to be informed if a Consumer DSR Option is exercised but believe that the relevant consumer should have the obligation to do this, as part of contractual arrangements between shipper/supplier and site that we would expect to already be in place. Our rationale is based on both principle and practical considerations.

**Principle**

There is an established contractual and information flow chain in the gas industry of transporter to shipper to supplier to consumer and vice-versa. Modification 0844 was raised by NGT to enable direct contracting with consumers for DSR options which circumvents this specifically for DSR. The claim is therefore that because NGT now has this relationship which the shipper is not party to, it should also have an obligation to inform its direct customer (the registered shipper) if that option is exercised, i.e. DSR is called in respect of that site.

It is important to appreciate the context in which NGT raised Mod 0844. It was done in response to feedback from some consumers that this was their preferred means of contracting for DSR rather than going through their shipper, and from some shippers who argued in consultation responses to Modification 0822 that the risks of arranging DSR would not be outweighed by the reward, the implication being that DSR is an unattractive product for shippers to market to consumers.

NGT's preference would have been to maintain the established contractual chain. However, the feedback detailed above, together with NGT's desire to grow the DSR market (as a hitherto untapped balancing tool that could be deployed at times of system stress to mitigate the risk of a Network Gas Supply Emergency) led us to challenge the established convention and deliver the ability for consumers to deal directly with us for DSR.

Having therefore already agreed to take a role outside convention in this way, we do not believe that we should step any further into the shipper role as Modification 0852 proposes. Rather, if DSR is called, we consider that the consumer should inform the shipper as part of what we expect should be 'business as usual' practice. Exercise of a DSR option is one of many factors that could cause a consumer's planned rate of offtake on a given day to change from what was previously expected, for which we assume there must be communication arrangements in place already between site and shipper to enable the shipper to submit accurate transportation nominations and manage its scheduling and imbalance risk.

We did propose in Modification 0844 to notify the relevant GDN of the exercise of a DSR option; this reinforced already established inter-transporter arrangements and is appropriate given that the consumer has no direct relationship with its GDN insofar as DSR is concerned.

## **Practical**

We also have practical concerns in relation to Mod 0852.

Since DSR could be called 24/7, notification by NGT to the shipper would need to be a control room activity. We are concerned that an additional administrative requirement to phone and/or email the registered shipper(s) at a time of high intensity control room activity would detract from the GNCC's ability to discharge its primary role in that circumstance of managing the supply shortage and maintaining efficient system operation.

At present, the number of consumers holding DSR options is relatively small, but this may not be the case in the future. If timely notifications to shippers could not be provided, some shippers might receive notification from NGT and not others, resulting in unequal treatment and a group of shippers having a commercial advantage in managing their scheduling and imbalance risk. We therefore consider that the Modification is potentially detrimental to relevant objective (d)(i), "securing of effective competition between relevant shippers".

Furthermore, a consumer can change its shipper at any time. In a supply shortage situation, which could occur outside of normal business hours, it would not be feasible for GNCC staff to check with the CDSP whether the shipper at the time the option was agreed is still the incumbent before issuing the notifications, which could be to the further detriment of relevant objective (d)(i). To avoid this, it may be possible for NGT to establish a new service line with the CDSP to inform GNCC on a daily basis of who the registered shipper

is for each consumer that holds a DSR option but we do not believe that this would be an efficient use of the CDSP's resources.

In relation to Relevant Objectives, we note that the Proposer considers Mod 0852 to be positive for (d) securing effective competition, yet the rationale is concerned with additional security for shippers rather than competition benefits.

**Self-Governance Statement:** *Please provide your views on the self-governance statement or reasons why Authority Direction should apply.*

There is potential for the number of consumers holding DSR Options to grow and therefore for a corresponding increase in the number of notifications that NGT would have to provide to shippers if Mod 0852 were to be implemented. This could compromise NGT's ability to manage a national gas supply shortage effectively and efficiently, detrimentally impacting GB gas security. We therefore consider that this Modification could have a material effect and thus should be re-classified as Authority Direction.

**Impacts and Costs:** *Please provide a view on the impacts and costs you would face.*

To follow in our consultation response.

**Additional information for consideration by Workgroup:** *Please provide any additional information for Workgroup consideration.*

We may wish to include further information in our consultation response.

**Analysis:** *Please provide any additional analysis for Workgroup consideration.*

We may wish to include further information in our consultation response.

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

We will comment in our consultation response.