

## Representation – Draft Modification Report UNC 0854

### Revision of Virtual Last Resort User and Contingent Procurement of Supplier Demand Event Triggers

Responses invited by: **5pm on 22 February 2024**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	Phil Lucas
<b>Organisation:</b>	National Gas Transmission
<b>Date of Representation:</b>	12 <sup>th</sup> February 2024
<b>Support or oppose implementation?</b>	Support
<b>Relevant Objective:</b>	<p>a) Positive</p> <p>c) Positive</p> <p>d) Positive</p>
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

**Reason for support/opposition:** *Please summarise the key reason(s) for your support or opposition.*

As the proposer, National Gas Transmission ('NGT') supports the implementation of this Modification Proposal.

The Virtual Last Resort User ('VLRU') and Contingent Procurement of Supplier Demand ('CPSD') mechanisms were introduced to enhance the capabilities of suppliers (acting under a Deed of Undertaking (DoU)) and NGT (respectively) to maintain an appropriate balance between supply and demand in the event that a User is subject to a Termination Notice.

The application (by the UK Government) of sanctions on a User does not constitute a 'User Default' event and therefore the User would remain a party to the UNC. However, given that a User subject to government sanctions would not be able to operate effectively in the market, there would be a consequential increased level of system imbalance risk as that User's ability to contract for delivery of gas to the Total System (to meet the demand of its consumers) would be compromised.

On this basis, we believe that extending the availability of the VLRU and CPSD mechanisms to instances where a User is subject to government sanctions (notwithstanding the fact that the relevant User is *not* subject to a Termination Notice) is

a proportionate and appropriately-targeted step to mitigate the increased imbalance risk this scenario presents to NGT and other market participants.

We believe that implementation would better facilitate the identified relevant objectives compared to the existing baseline. i.e. if the VLRU and CPSD mechanisms were not available where a User is subject to sanctions, there is a risk that higher balancing costs will be incurred by all Users based on their system throughput as such costs will be recovered via Balancing Neutrality, potentially leading to higher system prices.

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

NGT believe that the requirement for Authority Direction is appropriate in this case due to the potential significant commercial impact on UNC parties associated with the proposed measures.

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

NGT does not expect to incur any material additional costs as a consequence of the implementation of this Proposal.

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

Implementation is sought as soon as practicable following the decision to implement the Proposal.

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

We are satisfied that the legal text delivers the intent of the solution identified in this Proposal.

**Panel Questions:** *Panel Members have requested that the following questions are addressed.*

None raised

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

We have not identified any such errors or omissions.

**Additional analysis:** *Please provide below any analysis or information to support your representation.*

Not applicable.