

**UNC Workgroup 0866 Minutes
Amendments to Demand Side Response (DSR) Arrangements
Thursday 04 January 2024
via Microsoft Teams**

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Adaeze Okafor	(AO)	Equinor
Adam Bates	(AB)	SouthHook Gas
Andrew Pearce	(AP)	BP Gas Marketing
Anna Shrigley	(AS)	ENI
Alex Nield	(AN)	Storengy
Carlos Aguirre	(CA)	Pavilion
Charlotte Williams	(CW)	Interconnector
Chris Wright	(CW _r)	Exxon Mobil
Conor McClarin	(CM)	National Gas Transmission (NGT)
Hannah Reddy	(HR)	Corella on behalf of Xoserve
Hannah Swindell	(HS)	Energy Security
Gaby Bezzubovaite	(GB)	Department for Energy for Security
Gavin Williams	(GW)	National Gas
James Lomax	(JLo)	Cornwall Insight
Jeff Chandler	(JC)	SSE
Julie Cox	(JCo)	Energy UK
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Lucy Manning	(LM)	BP
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	ENI
Matthew Atkinson	(MA)	National Gas Transmission
Mathew Chandy	(MC)	Ofgem
Matthew Crowley	(MC _r)	Gas Networks Ireland
Nick Wye	(NW)	WatersWye
Phil Hobbins	(PH)	National Gas Transmission
Richard Fairholme	(RF)	Uniper
Ronan Haas	(RH)	National Gas Transmission
Sarah Cooper	(SC)	Interconnector
Shiv Singh	(SS)	Cadent
Steve Mulinganie	(SM)	SEFE Energy
<p><i>This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.</i></p> <p><i>Please note these minutes do not replicate detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of papers are available at: https://www.gasgovernance.co.uk/0866/040124.</i></p>		

1.0 Outline of Modification

Eric Fowler (EF) introduced everyone and provided an overview of the Modification, explaining that it is scheduled to report to the Modification Panel in April. The Panel had provided a supplementary question - *Consider whether the DSR enhancements in the round are continuing to strike an appropriate balance for consumers.*

2.0 Initial Discussion

2.1 Initial Discussion

PH provided an overview of the presentation pack in relation to this Modification to discuss what has been done so far and the proposals up until the summer to tender for DSR options.

PH highlighted that in relation to Modification 0866, in order to obtain the benefit, if there is one to be had, the Workgroup will need to move quickly as part of the proposal involves moving the timing of the DSR process forward. PH suggested that an additional Workgroup Meeting may be required in March, scheduled between the monthly Transmission Workgroup meeting.

April will involve finalising the Workgroup Report, following which the matter will go to Panel. This will then set up for Consultation around early summer. Consumers are not expected to join the Workgroup meetings so NGT plan to have a parallel engagement with them and discussions can be shared.

In relation to the DSR methodology some changes are required because the addition of text in the UNC through the Modifications means there has been some duplication between the methodology and the Code. The methodology should be amended to reflect and match the Code.

PH provided an overview of the Modification, explaining there is nothing fundamental and the solution has been drafted in the form of Business Rules.

Credit Rules were discussed in the context of a consumer that fails to perform the demand reduction when instructed. Steve Mulliganie responded that the payments being made for DSR are funded by Shippers and that if a consumer fails the credit check then it would seem reasonable to withhold payment until the end of the winter..

PH provided a discussion on the Tender options. The word “indicative” was used in relation to the timeline as the Code states the tender can be published no later than 31 August. PH illustrated the effect on the timeline if events are pushed back by a month.

NGT has also considered the option of a “bid stack” where there is some subjectivity in the assessment criteria. In relation to this Modification 0866, NGT also considered flexibility in terms of the number of days, explaining, that if a certain number of tenders are obtained, the time for the assessment period could be extended. For example, if more than 20 offers are received, this could mean a 20-day assessment period.

PH provided an overview of the Business Rules, explaining that UNC TPD Section D7.6 had been reproduced and details the procedures for accepting or rejecting offers. PH advised that the writing in red and underlined is not in the Modification but will be in the revised version for next month’s meeting.

Business Rule 3

The Workgroup discussed the flexibility regarding the within-day option which was assumed to be most useful. Upon reflection however, this did not appear to be the case if the demand reduction is effective for only a short part of the day. PH therefore suggested a subtle change of words to say we can prioritise within day and D-1 options.

SM drew reference to the detail in BR3, asking how it would apply for someone bidding and how they might determine the optimum path for their bid. He asked whether NGT might increase the threshold to 200,000 kWh for within-day so that a bid would remain valid above the 100,000kWh limit for at least half the day.

PH advised there are options to consider however it could be that the value of within-day and D-1 is greater than that of 5-day ahead. However, this does not necessarily mean that within-day is of more value than D-1.

SM noted that if NHGT has greater freedom to exercise discretion then it becomes harder for a bidder to understand the optimum path for their bid, to improve its chances of acceptance. PH confirmed that rankings can be adjusted if required. The third change made in BR3 allows for flexibility in ranking. The price is important, however, equally, if larger quantities are obtained, this becomes more attractive to accept. Currently NGT are obligated to rank in terms of combined prices so added flexibility would be helpful.

SM commented that there will be a balance to be found in transparency of the actions taken by NGT, particularly where it has exercised discretion to vary from a simple selection.

Business Rule 4

PH advised that this Business Rule is in relation to the aggregate report. The wording in the Business Rule has been amended to now include "from which sectors".

PH advised of the intention to strike a balance with giving out market information without breaching confidentiality.

Julie Cox (JC) raised a point in relation to the confidentiality. For example, if there were 3 acceptances for a particular product, the price could be calculated and published. If there were fewer than 3 then publication might allow the bidding parties to back calculate the prices bid by others and in this circumstance the information might not be published although NGT should state why.

PH recognised that this could be a starting point to consider.

SM asked if the provision of information would need to be reflected in the changes made to BR3. Stakeholders and bidders would want to see the rationale for why one offer may have been accepted over another.

BR4 is in relation to transparency and BR3 is in relation to flexibility, therefore BR4 should state "transparent about application of flexibility".

PH explained this would be difficult to have in writing. PH advised he will try and publish a report so the Workgroup can consider and let him know if he has captured the position correctly.

Business Rule 5

During the consumer call, this Business Rule was considered. The feedback obtained has led PH to be minded to strike out BR5.

SM agreed that discussions with consumers were in relation to investment in backup fuels and BR5 reflected a longer term view.

PH confirmed there was sufficient evidence to strike out BR5 for now.

Business Rule 6

“Of part thereof” wording would need minor clarification if within-day option chosen as it would be part of the day.

Business Rule 7

PH considered the within-day option and in the event NGT decided to exercise later in the evening. As the within-day option has a lead time option, there could be the potential to exercise this at midnight, which would require someone to be present in the early hours of the day before the gas day ends. This is unlikely to happen but it was still a consideration.

PH recommended introducing the possibility to specify the minimum number of hours which the within-day option could apply.

Business Rule 8

PH discussed the within-day options mentioned earlier. PH advised there may be 2 options.

The first is in the Modification in which is to set a 200,000kWh minimum. The other is if the option quantity is divided by 24 to put into an hourly rate and to then multiply by the lead time. If the result is less than 100,000, the offer would be considered invalid. PH is more inclined to go for the latter option to avoid picking a figure at random.

SM queried how this might apply in practice in the event that a customer has placed a valid offer but that it then becomes invalid if there are insufficient remaining hours in the gas-day. He asked what are the consequences? The issue is that the customer is offering the contracted service but is unable to pass the test which would not be intentional on their part

PH explained it is part of the DSR exercise and if the customer’s bid fails the test it would be simply struck out of the process but this is not the same as a failure to perform.

SM clarified that the principal is that the customer has offered a minimum of 100,000 at least at the start of the day. PH confirmed this is correct.

PH suggested that a worked example may be easier to demonstrate the position to the Workgroup.

Business Rule 9

NGT currently hold actual allocation data from the period of November to April last winter, however, they question whether this is the most reliable indicator of the forthcoming winter average demand (WAD). Some consumers advised it may not be reflective so considered going back 3 years as opposed to just 1 year. This was noted as potentially being more complicated if 1 winter period within the 3 years is materially different. In the event this happens, PH suggested taking this data out of the calculation.

The wording of the Business Rule will need to be amended as PH advised his understanding of statistical terminology may be incorrect.

Business Rule 10

This is linked to BR9 and PH explained that in the event a forecast is provided, a checks and balances process may be required due to a potential for gaming. This could arise if the consumer knowingly gives an inflated view of their demand, which means they have a higher option fee.

PH explained that some parameters might be set so that parties submit a fair estimate of their future demand and that there may be circumstances in which some of the option fees ought to be held back.

SM explained he understood what was trying to be done. Other than the customer's word, there is nothing to check the validity of it and the customer would be getting paid in advance of their worth. In the event they are gaming or things aren't as expected, there may be a situation where another customer's bid is put above theirs. There is no way to validate this data.

SM queried the wording in the Business Rules relating to appropriate controls. In response to this SM suggested withholding the payment until after the event. If there are variations then deductions could be made accordingly. BR10 should be more stringent in terms of protection from SEFE's perspective.

PH took this on board for further considerations.

Business Rule 11

PH advised this is one of the few Business Rules relating to Shipper DSR. The Code states that if a new shipper wants to take an option, they have to specify in writing to NGT, no later than the supply point registration date. This may not be possible. The proposal is to allow for a grace period if the shipper wants to do this and receive option fee payments.

Business Rule 12

The idea is if shipper members wanted to offer greater options, they could. PH proposed to amend quantity.

Business Rule 14

"Reduced to" regime not "reduced by". Currently, in terms of the exercise payment, this is obtained from the WAD, however, this might not be the case.

The question in relation to this Business Rule is what is the best we can do or would it be more accurate to say, for example, if we took an average of 7 days, would this be a more accurate reflection of what the site is giving us on the day? Data needs to be obtained on this.

Business Rule 15

PH raised to the Workgroup what would be a suitable number to introduce as a tolerance when measuring the compliance of a consumer. If a consumer has failed to deliver and the 110% liability kicks in, PH stated this would seem harsh. This has been raised by a few consumers so NGT are open to considering the possibility of tolerance, whether this is as a straightforward percentage or on a sliding scale.

SM stated that customers are likely to have already factored in a margin of error and that the failure would be against their own position. If customers want a safety net, this should be built into their bid. If tolerance is applied, this may cause further complications when measuring performance.

Louise Hellyer (LH) stated this is more for instances when the customer has not bothered or has not done what they said they would. If the final position is a few KWH off, there should be a margin of error by a small number.

SM asked what would change if aggregators are brought into the market. There will always be arguments about how much is missed by but the fact is that it will still have been missed. SM raised that he understood what PH was trying to achieve but these are contracts being dealt with. SM advised he envisages further conversations regarding the flexibility of targets in the Code.

PH advised that this was a useful discussion and he could take the outcome to the next consumer meeting.

Business Rule 16

This Business Rule attempts to prevent the failure of the credit check from being a blocker to those wanting to participate.

SM questioned why 50% would be given, explaining that if they are failing the credit test, they should not be handed money. LH agreed, advising they should not be getting paid until they have passed the credit check.

2.1.1 Consider whether the DSR enhancements in the round are continuing to strike an appropriate balance for consumers

PH reflected that this is a useful question. An initial view is that the enhancements are refining the DSR regime in a way that it is hoped will bring greater participation and value. EF suggested that the Workgroup respond more fully when the report is drafted.

2.2 Initial Representations

None

3.0 Next Steps

New Action 0201: Phil Hobbins to obtain anonymous real data and examples to present to the Workgroup at the next meeting as a demonstration of the Business Rules and Modification.

4.0 Any Other Business

None.

5.0 Diary Planning

0866 meetings are listed at: <https://www.gasgovernance.co.uk/0866>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 07 March 2024	5 pm Wednesday 28 February 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0201	01/02/24	3.0	Phil Hobbins to obtain anonymous real data and examples to present to the Workgroup at the next meeting as a demonstration of the Business Rules and Modification.	March 2024	NGT (PH)	Pending