

UNC Workgroup 0856 Minutes
Introduction of Trials for System Management Services
Monday 16 October 2023
Via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Tanaka Tizirai (Secretary)	(TT)	Joint Office
Alex Nield	(AN)	Storengy
Andy Clasper	(AC)	Cadent
Andrew Blair	(AB)	Interconnector
Antony Miller (part)	(AM)	South Hook Gas
Carlos Aguirre	(CA)	Pavilion Energy
Charlotte Gilbert	(CG)	BUUK
Christiane Sykes	(CS)	Shell
Ellie Rogers	(ER)	CDSP
Georgie Price	(GP)	Ofgem
Helen Bennett	(HB)	Gas Governance
John Costa	(JC)	EDF Energy
Jonathan Roche	(JR)	Department for Energy Security & Net Zero (DESNZ)
Julia Cox (part)	(JCx)	Energy-UK
Louise Hellyer	(LH)	Total Energies
Marina Papathoma	(MP)	Wales & West
Mark Jones	(MJ)	SSE
Mathew Chandy	(MC)	Ofgem
Matthew Newman	(MN)	National Gas Transmission
Nick Wye	(NW)	Waters Wye Associates
Ofordi Nabokei	(ON)	National Gas Transmission
Paul O'Toole	(PO)	Northern Gas Network
Richard Hewitt	(RW)	Hewitt Home Energy Solutions
Rebecca Steventon	(RS)	Department for Energy Security & Net Zero (DESNZ)
Sarah Cooper	(SC)	Interconnector
Shiv Singh	(SS)	Cadent
Stephen Huang	(SH)	Castleton Commodities International (CCI)
Steve Mulinganie	(SM)	SEFE Energy
Steven Wilkinson	(SW)	Northern Gas Networks
Tom Stuart	(TS)	Wales and West Utilities
Tracey Saunders (part)	(TrS)	Northern Gas Networks

The Workgroup Report is due to be presented at the UNC Modification Panel by

This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User are present.

Please note these minutes do not replicate/include 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 all papers are available at: <https://www.gasgovernance.co.uk/dsc-change/130923>

1. Introduction and Status Review

Eric Fowler (EF) welcomed all to the meeting and outlined that NGT's presentation will include the sharing of the amendments made to the draft modification; draft legal text; and the draft specification document.

EF informed Participants that he will report to the Modification Panel with an update of the progress on Thursday 19 October 2023 because the Panel have requested an interim report on the likelihood of it being delivered on time.

1.1. Approval of Minutes (05 October 2023)

The minutes from the previous Transmission Workgroup meeting were approved.

1.2. Approval of Late Papers

The Chair noted no later papers were received.

2. Workgroup Assessment

2.1. Recap from 1st Workgroup / What we heard from you

Matthew Newman (MN) provided a recap of what was covered in the previous meeting. MN provided a summary of the draft Modification and explained briefly how they would enact the system management services trials in the event the Modification is implemented. The system management services are documented within the system management principles statement.

MN mentioned that the three Panel questions were considered at the meeting.

(1) could this concept be suitable for accommodation under the Derogation process with another use-case?;

(2) Will this precipitate demand reduction or demand transfer?; and

(3) Can the Workgroup complete a Workgroup Report in the timescales proposed?.

Tracey Saunders (TS) raised a concern that the revised proposal appears to be a derogation and a use case is being created, but in the form of a modification.

MN explained the reasoning why NGT determined it was not suitable for a derogation is because they would not be seeking derogation from anything existing. The proposal introduces a new provision, which would be funded by Energy Balance Neutrality.

MN continued and covered the second question relating to demand reduction / demand transfer. He noted that there were questions around whether the trial would lead to additional stress on the electricity network. He stated that they fully recognise that may happen, and that is why they want to explore this by way of undertaking a limited trial.

MN then provided a recap of the feedback received from the parties in respect to the modification framework and also Non-Daily Metered (NDM) Demand Side Response (DSR). The feedback included concerns which were raised by the parties in the previous workgroup meeting. He further recapped on the proposed amendments to the proposal following on from the feedback. (See published presentation).

Steve Mulinganie (SM) noted he had no objections to the recap delivered by MN, and he is content that the concerns regarding the 'blank cheque' risk and details for managing customers appear to have been covered.

2.2. Draft Specification Template

MN provided an overview of the draft specification template.

SM questioned how the consultation and trial will be reported.

MN confirmed that once the specification has been produced, published and consulted upon, a report will be produced, summarising the feedback and views NGT have received. The report would be published on NGT's website and shared to Ofgem.

On the second point, two months after the end of the trial, a post-trial report will be produced setting out its conclusions on various elements of the trial and whether NGT consider it to have been a success, and whether they would consider raising an enduring modification to be implemented into the Code. SM identified the post-trial report as being a key element, as this is where value for money would need to be established. NM responded that the criteria for evaluating the trial will pick up some of the relevant objectives.

SM raised an observation that stakeholder engagement does not appear to have been covered under the list of items relating to NGT's role and responsibilities. He further noted that this element is likely to be fundamental due to the potential impact on the electricity system, therefore, cross industry engagement would need to be documented.

MN was unaware of whether the cross industry engagement had been documented in the specification. Shiv Singh (SS) added to SM's comments and mentioned that their social programme managers raised concerns that if a switch to electricity by some consumers happened, they would likely incur higher costs for doing so.

MN explained that NGT will look to resolve such issues via communications to consumers at pre-trial stage.

Julie Cox (JCx) raised a question whether the Mod or specification document reference an analysis on the impact on the electricity system. MN noted that it is not specifically covered but it would be covered under the general impact assessments. MN indicated that perhaps if parties could consider it to be too broad and they are happy to go back, and consider inserting something more specific.

The Chair observed an inconsistency with the contents in that the consultation period is recorded as running "for not less than 28 working days", however, the Authority is requested to "respond within 28 days". The inconsistency being the reference to "working days".

MN recognised the inconsistency as a clerical error and that it will be rectified.

TS raised a concern that the wording imposes an obligation on Ofgem to respond within a set time limit. She elaborated that whilst you may be able to state that Ofgem needs to respond, an imposition of a time limit for a response will likely receive push back.

Georgie Price (GP) of Ofgem noted that whilst she cannot comment on the obligation aspects, Ofgem would certainly endeavour to facilitate the relevant timelines. Mathew Chandy (MC) of Ofgem echoed GP's comments.

JCx raised a further concern that there are provisions within the UNC where if Ofgem does not respond after a certain period the request lapses. However, this would not be appropriate in these circumstances. SM added that in order for the Mod to move forward it makes sense to remove the obligated timeline on Ofgem. MN confirmed that NGT will review that element and look to amend the wording from a defined timeline to simply a request for Ofgem to respond. He further noted that they will engage with Ofgem and DESNZ regarding the development of the process.

MN continued by providing an overview of the draft specification template covering the section on the costs of trial.

Ellie Rodgers (ER) raised a question as to whether there is a plan for limiting the number of participants in the trial.

MN confirmed that an optimal trial size would be around 10,000 consumers and they would seek to carry this out via contracts with shippers and suppliers. He noted that they will facilitate payment and the service providers who will then facilitate those payments onwards to the consumers. Thus the NGT contractual relationships are with a small number of parties.

Charlotte Gilbert questioned how trial consumers would be selected and whether they would include IGT consumers. MN stated that NGT are still considering how the scheme will function in practice and there is a risk that selected consumers could be on an iGT network. NM asked if there may be a need for a 'mirror modification' in the iGT code to which CG responded that the iGT Code just points to the UNC.

For more information on the specification template, a copy of the published draft document is available at: [Workgroup 0856 16 October 2023 | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/workgroup-0856-16-october-2023).

2.2. Amended Modification

MN provided an overview of the draft modification with track-changes.

JCx raised a question regarding the budgeting of the trial. In the event a trial operates for few months, but then pauses and later resumes the following winter. Would the latter trial be covered by the initial budget or would a new budget need to be approved?

MN explained that an agreed budget amount would be for a particular trial duration (e.g. 12 months). That budget would cover all of the trials falling within that duration; however, if the agreed budget-cap is reached, then NGT would need to produce a new specification document seeking an increased / new budget. JCx noted that in such a scenario the specification document could be identical but simply being represent an application for more money for the same trial?

MN explained that it could be identical but they would seek to provide an explanation within the specification document as to why they require more money and why the initial amount was not adequate. SM suggested that instead of issuing a new specification a better approach would be to establish a proper governance structure around the budgeting during the trial i.e. a budget-reopener process.

Louise Hellyer (LH) asked whether the consumer incentives would be linked to the market price cap, which would be known in advance. She noted that if it is linked to the market price cap, that would not be representative and appropriate for the non-domestic customer. LH further noted that she is conscious that the market prices have varied in the recent few years. SM also raised concerns around the use of the domestic price cap as a proxy index for the incentives. He highlighted that market-price caps are flawed and would not afford the agility for determining the appropriate incentive values, particularly, for the non-domestic consumers.

MN acknowledged the points raised by SM and commented that NGT are still undertaking consumer research to discover the appropriate approach to incentives.

JCx welcomed MN's comments but highlighted that the safety concerns with asking consumers to be cold through the trial process. SM noted that it is a question of whether you are achieving demand-reduction or demand transfer because if the consumer switches on an electricity heater instead then they may face a higher cost.

The Chair reiterated for clarity that SM and JCx are describing criteria relating to consumer behaviour and safety they would like to be carefully examined as a facet of a trial. SM responded that the specification is lacking a health and safety risk assessment, particularly for domestic consumers, as they are being asked to interact with their heating arrangements. The issues with trial is that you are asking people to suffer discomfort. SM further distinguished a difference between a non-domestic micro-business "shutting shop" versus an actual domestic consumer becoming cold.

The Chair noted the importance of the being points raised and flagged to Ofgem's and DESNEZ's representatives that the need to take stock of these cross departmental / cross regulatory issues, which the industry needs to be aware of.

SM raised a question whether the parties would be NGT and the shipper/supplier i.e. service providers. MN confirmed that those would be the parties to the contracts. SM wanted to know where those terms and conditions would be retained, whether they would form a part of the trial documentation.

MN explained that their intention is that the terms and conditions would form part of the specification document.

At the Impacts section ER observed that it does appear that any system impacts have been covered. She noted that there is possibly going to be an impact on the systems particularly on invoicing and payment systems. ER further noted that they may need to work with NGT ensure that the payment systems sections is covered.

SM echoed that the impact on shippers, and noted that the timing of the payments will need to be covered in the terms and conditions.

MN confirmed that it will be covered in the terms and conditions.

LH asked whether individual customers can register an interest to participate or do all eligible sites get assessed. MN responded that eligible sites or consumers in a shipper's portfolio could participate. NGT will not pick the consumers and it is for the service provider to pick them. He further noted that NGT will facilitate the payments via the CDSP and the service provider will facilitate the payment or percentage of payment to consumer.

LH asked whether the service provider has to do conduct the calculation on the reduction achieved against a baseline and then bill NGT.

MN noted that NGT were to do that themselves, they would need access to smart meter data. MN noted that NGT may not be the best entity to do that. However, NGT will consult with parties as to what they consider the most appropriate approach would be. LH noted that it would create additional work for the shipper/supplier. She also mentioned that there is question as to whether it is right for them to make the calculation and then raise the bill themselves, rather than conducting this exercise via a central system.

SS noted that DNs will need to be informed about potential reductions so they can plan more effectively.

SM asked whether a Stakeholder Panel or Steering Committee will be established where parties can be involved throughout the trial process. MN confirmed that they look into expanding the current work stream in which Ofgem, DESNEZ and NGT are involved. He noted that from the consumer side, they do not have a wider-consumer group, so it is something they can consider and they may possibly contact with the CAB.

2.3. Draft Legal Text

MN provided an overview of the draft legal text.

SM raised question regarding the "service provider" definition, and whether the term defined term "service provider" is effectively the shipper for the purposes of the trial and also from the code perspective. MN confirmed SM's interpretation and noted further that ideal scenario is that the service provider is both the shipper and supplier.

MN recognised a need to amend paragraph 5 of the draft legal text from being conditional.

MN further recognised a need to amend paragraph 6 and remove the reference to "SMS", as this is a clerical error.

SM raised a concern about Ofgem being able to amend a proposed document and proceed without further consultation. He noted that ordinarily they recommend either proceeding, or send the document back, directing for extra work to be carried out.

MN clarified that paragraph 5(b) is meant to permit only slight and minor changes to wording.

SM noted that as drafted the provision is quite powerful, and perhaps it would be limited explicitly to a de-minimis change. MN acknowledged SM's concerns and they will amend the paragraphs as appropriate and will also have the text reflect that penalty charges will not arise.

SM raised a further concern as to where the "trial start date" would be explicitly stated. He noted that the wording at paragraph 7 is vague and it may be worth including wording referencing the specification document. For example, that "cannot be more than 12 months from the start date stipulated in the specification document."

MN confirmed that the start and end date would be specified in the specification document.

LH asked as to whether the same consumers are expected to participate in the trial. For example, if there are multiple trials or a trial exceeds the 12 month period. Would shippers be expected to provide the same customers signed up for that initial trial period for the subsequent periods?

MN mentioned that it is not something they have discussed, but the assumption is it would not be a problem from their point of view (for service providers to sign up different consumers).

SM echoed LH and noted a concern that if a shipper can no longer bring the initial volume. For example, if a service provider was to lose a customer in the later rounds of a trial e.g. a housing association. It would be prudent for service providers to have the capacity to vary the arrangement and accommodate the normal comings and goings of customers during a trial.

MN mentioned that the intention is that a trial will commence in March / April 2024, should the modification get implemented and Ofgem approve the specification document and since the specification document would be valid for a 12-month period, NGT would be able to use the same specification document to continue the trial in November 2024, should they not get the learnings they need in March/April 2024.

MN acknowledged an issue with the current draft wording of paragraph 9 and noted that NGT will amend the wording on the breaches element.

3. Development of Workgroup Report

This will be discussed in the November Workgroup.

4. Any Other Business

The Chair noted that a provisional date has been scheduled for 6th November in case discussions are not completed on 2nd November.

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Time/Date	Meeting Paper Deadline	Venue	Programme
10:00 Thursday 2 November 2023	5pm Tuesday 31 October 2023	Microsoft Teams	Standard Agenda