

Notification of Demand side curtailment to relevant Transporter – Proposals put forward in UNC Modification Proposal 0044.

At the Uniform Network Code (UNC)* Transmission Workstream meeting on Thursday 11th August NG (National Grid) were asked to provide a brief note on the requirements that would arise, should UNC Modification Proposal 0044 be implemented, in relation to the notification of demand side curtailment and the impact of this notification on the Emergency Curtailment Quantity (ECQ) calculation detailed in the Proposal.

1. Background.

The UNC currently includes the requirement (Section G 6.6.5 & 6.6.6) for Users to notify the relevant Transporter where the User “*exercisesany entitlement to require the consumer to discontinue consuming gas offtaken from the Total System on a Day; or ...having exercised such an entitlement, authorises the consumer to resume such consumption.*” This existing requirement relates to Interruptible Supply Points only. The above requirement is met by the User through the provision of a P70 form to the Transporter. The submission of the P70 provides a clear indication to the Transporter of the User’s instruction to the end consumer to stop taking gas at an offtake. This intent can then be taken into account for both system scheduling and Interruption management.

As part of UNC Modification Proposal 0021, NG proposed to utilise the provision of this P70 form to provide a clear and unambiguous indication from the User to the Transporter that a User has initiated “commercial” interruption at a Supply Point. This instruction would then be used to inform the Transporter’s estimate of the impact of emergency Interruption on the System demand level and feed into the Transporter’s calculation of the relevant User’s ECQ. Being able to take into account demand curtailment already initiated by the User prevents an over-estimation of the effect of emergency curtailment actions and would therefore provide for a more accurate and robust assessment of the ECQ.

In its decision letter on Modification Proposal 0021 the Authority expressed concern that the Proposal could be unduly discriminatory against those Users shipping to Interruptible offtakes since the ECQ trade only applied to emergency curtailment at these offtakes. In order to demonstrate a consistent approach across all types of System Exit Points Modification Proposal 0044 seeks to introduce and expand the application of the ECQ calculation to include both Firm and Interruptible System Exit Points (other than Non Daily Metered and Priority Loads). In order to provide the same opportunities and requirements across the System Exit Points covered by the revised Proposal NG also included, within the Proposal, an expansion of the existing P70 information provision process.

* Capitalised terms within this note are references to existing defined terms with the Uniform Network Code or to proposed new defined terms included in Modification Proposal 0044)

Expanding the P70 provision to include User notification of Firm Load demand management would enable Users to provide clear and unambiguous instruction to the relevant Transporter that the User has instructed the end consumer to stop taking gas for that Gas Day at Firm System Exit Points and also provide clear instruction when that requirement has been lifted.

Firm load is unlikely to offer “interruption” under anything other than severe conditions perhaps only very close to an Emergency and hence the use of the P70 process for Firm “interruption” would be expected to be a low probability event. The P70 process might also enable the User to notify the relevant Transporter when it has become aware that an offtake has decided to self-interrupt. In either case, notifying the Transporter of these events would enable the Transporter to take account of these actions during any subsequent calculation of the ECQ for that User and would thus provide a more accurate assessment. The alternative would be to not inform the Transporter of such proactive demand management actions and resolve any resultant affects on the ECQ calculation and the User’s imbalance position through the proposed ECQ disputes process after the Gas Day.

2. **When would the New P70 firm form be required?**

In order to demonstrate a consistent approach across all types of System Exit Points Modification Proposal 0044 proposes to duplicate the existing requirement and process for Interruptible Supply Points detailed above for the submission of the new P70 “firm”. As such the requirement to submit a P70 “firm” form would not be limited to the period of a Network Gas Supply Emergency or Potential Network Gas Supply Emergency. A P70 would be required at either Firm or Interruptible System Exit Points at any time where the User has exercised an entitlement to require the consumer to **discontinue consuming gas from the Total System**.

a. P70 and OCM Trading.

The provision of a P70 form and any Market Transactions are not linked. For example, a User may seek to place a locational market offer to sell gas at a System Exit Point, which is subsequently taken. Firstly, the trade may not be for a quantity that would result in a complete discontinuance of offtake at the associated Eligible Trading System Point. Secondly, although this trade has an associated renomination incentive the nomination regime does not prevent the User from renominating at the relevant offtake later in the Gas Day as situations change and enabling the offtake to resume taking a quantity of gas. In each case the offtake has not discontinued consuming gas and therefore the P70 process does not apply.

The P70 process should only be used where there is a clear intent on the part of the User to use its available commercial rights to instruct the end consumer to discontinue consuming gas. The “reasonable endeavours” time related requirements surrounding the existing P70

process serve to reinforce the importance of this statement.

b. Use of P70 processes to inform the Transporter of end consumer initiated demand curtailment.

A User may also wish to, and the UNC provisions enable the, use the P70 processes to inform the Transporter when they become aware of end consumer self-interruption in order to facilitate a more accurate calculation of the ECQ rather than utilising the disputes process, although it should be stressed that this is neither a current nor a proposed requirement within the UNC. Again the extension of the P70 process to include Firm loads would facilitate the ability for Users to inform the Transporter of such actions at both Firm and Interruptible Exit Points.

3. Why is P70 Process required?

The reason behind the P70 process applies equally to Interruption of Interruptible System Exit Points and to Curtailment (firm load shedding) at Firm System Exit Points. The P70 form's purpose is to record the User's instruction to the end consumer to "discontinue consuming gas". Unlike the Gas Flow Nomination process the P70 instruction provides a clear and unambiguous communication of a User's demand management actions.

The provision of a P70, prior to the instigation of a Potential Network Gas Supply Emergency, will enable the Transporter to identify that a User has already initiated demand curtailment at a relevant System Exit Point and as a result this System Exit Point will be "disregarded" for the purposes of the ECQ calculation. This will enable the Transporter to improve the accuracy of the ECQ calculation.

4. Potential exposure if P70 is not submitted.

a. Position of end consumer.

The UNC does not include any provisions or financial exposure for end consumers directly as they are not a signatory to the UNC. However, consumers may have contract terms exposing them to the pass through of costs that their User (shipper) incurs as a result of shipping gas to the end consumer's offtake. In such circumstances it may be prudent for the end consumer to provide information to its User to facilitate the User reducing its exposure to UNC charges and or reduce the need to administer a submission of a claim through the proposed dispute resolution process. End consumers deciding unilaterally to curtail any further offtake of gas on that Gas Day from the Total System may therefore consider whether or not it would be in their interest to promptly inform their User of this decision.

Therefore, if an end consumer intends to curtail its offtake of gas for the rest of a Gas Day but does not inform its User or, for those who provide

and Offtake Profile Notice, the Transporter of this decision then the User's ECQ calculation may be less accurate than would otherwise be the case. This would result in the User having a more negative imbalance position and associated cashout charges. To remedy this situation the User would then need to submit a claim after the Gas Day. Such claim submission would require further evidence from the end consumer to support the claim.

Promptly informing the User of the decision to curtail offtake of gas would avoid the above costs and claim submission.

b. Position of Users.

If a User has already initiated demand curtailment at a relevant System Exit Point prior to the instigation of a Potential Network Gas Supply Emergency, but does not submit a P70, the ECQ calculation might not fully take account such demand curtailment actions. This might result in the User having a "shorter" balancing position than would otherwise have been the case and, in this instance; the User may wish to submit a claim through the dispute resolution process set out in the Proposal.