

Representation - Draft Modification Report UNC 0822

Reform of Gas Demand Side Response Arrangements

Responses invited by: 5pm on 22 September 2022

To: enquiries@gasgovernance.co.uk

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

Representative:	Matthew Newman
Organisation:	National Grid NTS
Date of Representation:	22/09/2022
Support or oppose implementation?	Support
Relevant Objective:	a) Positive b) Positive
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

As proposer of this Modification, National Grid NTS (NGG) supports its implementation. NGG believe that the proposed changes to the Gas Demand Side Response (DSR) framework will improve the effectiveness of this commercial tool at times when the national supply/demand balance is tight and could reduce the likelihood of entering a stage 2 Gas Deficit Emergency (GDE) where firm load shedding could commence.

We believe that Relevant Objective a) Efficient and economic operation of the pipe-line system, is enhanced by the proposal to introduce option fees in order to further encourage voluntarily curtailment of demand in the event of a supply shortage. This will enhance efficient operation of the pipe-line system because it should enable supplies to be maintained to other consumers who are not eligible to participate in voluntary DSR, who might otherwise be subject to firm load shedding if the situation progressed to a GDE.

Relevant Objective b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters is also enhanced by the proposed Modification as it is designed to reduce

the likelihood of and/or severity of a GDE. If a Stage 2 GDE were to be declared it is likely that this would have a significant impact upon parties connected both to the NTS and to GDNs through compulsory firm load shedding resulting in less efficient and disrupted operation of the pipe-line systems.

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

Implementation should be on the next business day following the Authority decision to give certainty to parties that may wish to participate in the proposed invitation to offer as soon as possible and to enable the necessary preparations to be made by NGG, shippers, suppliers and consumers for this invitation process to be run during November 2022. This would facilitate commitments in advance for DSR to be offered for the majority of the Winter Period 2022/23, thereby enhancing the commercial tools available to NGG to prevent a GDE from occurring.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

The proposed option fees and charges if subsequent DSR Market Offers are not posted in compliance with the accompanying obligations are to be funded by, and credited into, Energy Balancing Neutrality, therefore, NGG is cash neutral to the proposed changes.

Engagement with the Central Data Service Provider (CDSP) has indicated that they will be able to process option payments, charges for failure to deliver on obligations created by accepted DSR options and recalculation of Energy Balancing Neutrality without changes to central systems and as part of their BAU workload. However, if there is a significant uptake in the revised DSR scheme this may need to be reviewed.

Similarly, NGG will need to deploy existing resources to prepare and execute the proposed new invitation to offer process. As the service/contract is defined under the UNC this process is expected to be facilitated as part of BAU within Gas System Operations.

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

Yes.

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

No errors or omissions have been identified. However, due to the nature of urgent modifications and the reduced timescales associated to them, it is possible for errors, omissions or unintended consequences/impacts to later become apparent. However, NGG were unable to identify an alternative route to implement DSR reform in time for this winter.

NGG are aware of the provisions of the modification rules in respect of Urgent Modifications and would support post implementation discussions within the appropriate workgroup and reporting to Panel. If any errors or omissions are identified then these

can be corrected following this assessment. Additionally, it is possible that further enhancements may be made to the DSR framework in subsequent years.

Mindful of the compressed timescales, NGG considered making this Modification temporary for this winter only. We decided against this because during pre-mod engagement, we heard that some parties may require a longer-term revenue stream to make the placing of DSR option offers commercially viable, hence the feature within this Modification to enable option offers to be submitted for the next 3 winters.

Please provide below any additional analysis or information to support your representation

We have engaged with the Independent Gas Transporters (IGT) Panel chair who has confirmed there are some connections within the IGT networks which have an Annual Quantity (AQ) above 2 million therms per annum and therefore, are eligible to participate in the DSR scheme. Therefore, if the Authority directs implementation of this Modification, we would recommend that a corresponding (non-urgent) modification is made to IGT Code.