

**UNC Workgroup 0844 Minutes
Enabling Direct Contractual Arrangements with Consumers for
Demand Side Response
Tuesday 16 May 2023
via Microsoft Teams**

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Benjamin Cull	(BC)	Department for Energy Security and Net Zero
Bushra Shammout	(SB)	Department for Energy Security and Net Zero
Carlos Aguirre (from 11:07)	(CA)	Pavilion Energy
Christiane Sykes	(CS)	Shell
James Lomax	(JL)	Cornwall Insight
Lauren Jauss	(LJ)	RWE
Maryam Khan	(MK)	Ofgem
Matthew Newman	(MN)	National Gas Transmission
Mathew Chandy	(MC)	Ofgem
Ofordi Nabokei-Hazekamp	(ONH)	National Gas Transmission
Phil Hobbins (Proposer)	(PH)	National Gas Transmission
Phil Lucas	(PL)	National Gas Transmission
Richard Fairholme	(RF)	Uniper
Shiv Singh	(SS)	Cadent
<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>The Workgroup Report is due to be presented at the UNC Modification Panel by 15 June 2023.</i></p> <p><i>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/0844/160523</i></p>		

1.0 Introduction and Status Review

EF noted that there were fewer consumer representatives present in the Workgroup.

1.1. Approval of Minutes (04 May 2023)

Approved

1.2. Approval of Late Papers

None to approve.

1.3. Review of Outstanding Actions

0501: NGT (PH) to explore if there are any potential credit balancing concerns or impacts to the Energy Balancing Credit Risk process rules and controls for Modification 0844 and 0845.

Update: Phil Hobbins (PH) confirmed this is due to be discussed at the EBCC on 24 May 2023.

Carried Forward.

2.0 Modification Assessment

The Proposer, Phil Hobbins (PH) introduced the Modification, explaining that it seeks to expand the scope of the Demand Side Response (DSR) arrangements to enable the establishment of direct contractual arrangements between National Gas Transmission (NGT) and qualifying individual Consumers for the voluntary reduction of their gas demand. Whereas Modification 0845 aims to introduce new services to deliver greater optionality for Users and Consumers.

PH recapped on the key points discussed at the last meeting which related to the:

- Contact Award National Gas Transmission Notifications to Shippers and to GDNs
- Exercise Award, National Gas Transmission Notifying the GDNs and Consumers having the responsibility for notification to the Shipper/Supplier of any DSR exercise. NGT have come to this position because in the circumstances of an approaching Gas Demand Emergency the National Control Room will not have the operational bandwidth to undertake notifications of potentially 30 plus parties. In addition, consumers must already have in place mechanisms for informing their Supplier/Shipper of unforeseen changes to demand (e.g. plant trips).
- Failure to deliver liability, if the Shipper fails to deliver DSR 110% of the Option Payment is scaled against the number of days DSR is instigated. Noting that this is not consistent with the electricity scheme cap of 100%, PH maintained there needs to be a premium to incentivise the right behaviours.
- PH responded to a previous question that NGT would not expect to undertake credit checks on customers offering DSR because they would be receiving payments from NGT rather than having a debt to NGT.
- Balancing Code annual review and the obligation to produce an annual DSR report. There is a facility in the Code for National Regulators to agree a period of longer than one year for contracts. Customers had indicated that this may be desirable if investments are required. In accepting the Proposal the Authority will effectively grant such approval. NGT would still need to review the operation of the DSR scheme each year to demonstrate an ongoing need.

PH provided the Amended Modification, which had been updated to align with the discussions and pre-advised changes presented on 04 May 2023. Please refer to the Amended Modification Version 2.0 published at: <https://www.gasgovernance.co.uk/0844>

PH explained the use of the OCM and the links to Article 22 of the Balancing Code that the system balancer should be aiming to use short-term balancing services.

PH provided the Workgroup with a review of the Amended Modification providing an explanation of the changes and the reasons why these changes had been made. The Workgroup raised no concerns with the changes outlined.

The Workgroup considered the Solution and each Business Rule. Highlighted issues included; Eligibility, the procurement process, offer assessments, the notifications to be provided, funding arrangements, invoicing and Cash-out, and an overview of the reporting. Assessment of the Exercise quantity will be based on the historic average offtake if the exercise happens at D-5. For in-day exercise, the quantity will be the difference between the prevailing shipper nomination and the minimum offtake stated in the contract.

There are a number of additional features that may be specified including the maximum number of days of DSR in a winter, (7b) the maximum number of consecutive days in any one DSR and (7c) a minimum period between periods of DSR. These are still under review by NGT. Some customers had also requested a minimum duration for any response, but NGT does not favour this because it may artificially extend the period of DSR. If there are constraints that would prevent a Customer from resuming offtake then these might be priced into the offer.

PH outlined the impact on Cash-out prices; the Proposal now on the table would not have direct contracts contributing to Cash-out price setting. Shipper bids at D-1 and within-day would be used for price setting and shipper bids taken at D-5 would not.

PH pointed out that the section on reporting is taken directly from Modification 0822 - *Reform of Gas Demand Side Response Arrangements*.

The Workgroup was provided with an opportunity to raise any further clarification required. None were raised.

PH confirmed a ROM is in progress and outlined the services required from the CDSP to support the process.

3.0 Development of Workgroup Report

The Workgroup captured some elements for the Workgroup Report to provide a strawman for the next meeting on 01 June.

PH noted the need to consider whether an equivalent Modification will be required for the IGTs

The Workgroup report captured that Legal advice had concluded that the Gas Act does not prevent NGT from contracting directly with consumers for DSR. It also noted the need to make changes to the Transporters Licence Special Licence Condition 9.22.

4.0 Next Steps

Expected next steps:

- Consideration of the ROM Request from the CDSP (for invoicing aspects)
- Review of Legal Text
- Completion of Workgroup Report

5.0 Any Other Business

None.

6.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
10:00 Thursday 01 June 2023	5 pm Tuesday 22 May 2023	Microsoft Teams	<ul style="list-style-type: none"> • Modification Assessment <ul style="list-style-type: none"> • ROM • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Completion of Workgroup Report

0844 Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0501	04/05/23	1.0	NGT (PH) to explore if there are any potential credit balancing concerns or impacts to the Energy Balancing Credit Risk process rules and controls for Modification 0844 and 0845	June 2023	National Gas (PH)	Carried Forward