

Representation - Draft Modification Report UNC 0844

Enabling Direct Contractual Arrangements with Consumers for Demand Side Response

Responses invited by: **5pm on 13 July 2023**

To: enquiries@gasgovernance.co.uk

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

Representative:	Julie Cox
Organisation:	Energy UK
Date of Representation:	13 July 2023
Support or oppose implementation?	Qualified Support
Relevant Objective:	<p>a) Positive</p> <p>b) Positive</p>
Relevant Charging Methodology Objective:	Not Applicable

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

Energy UK offers qualified support for this proposal as it seeks to enable wider participation of I&C consumers in offering DSR through direct contracting which will reduce some of the complexities of the contracting chain. This in turn may avoid the need to declare a gas deficit supply emergency or reduce its severity, which may limit the need for firm load shedding. This is consistent with furthering relevant objective a and b.

Whilst Energy UK accepts the new interpretation of the Gas Act that allows for NGT to contract directly with consumers, we are still surprised at this given the opposite has been the accepted position for more than 20 years. This is rather unsettling, and leaves open the question as to what else may be re-interpreted. We therefore expect that it is clearly set out in licence condition amendments, if required, or Ofgem's decision letter that this interpretation only applies to contracting for DSR purposes.

Furthermore, it is disappointing that NGT is unwilling to commit to communicating with the relevant shippers, its direct customers, in the event of contract exercise yet it is happy to intervene in the relationship between shipper/ supplier and customer to manage system stress. We do not accept that resourcing is an adequate reason.

We also have concerns in relation to relevant objective g and compliance with the EU balancing code which now forms part of EU retained law. Some of these points have been explored in the modification report but we do not feel the position taken is wholly adequate.

Article 8(5) is relevant as it was not explicitly considered by Ofgem in its decision letter for UNC mod 0822.

8(5). Unless a decision by the national regulatory authority allows for a longer duration of a balancing service, the duration of a balancing service shall not exceed one year and the starting date shall occur within a twelve month period from the related binding commitment of the contracting parties

Ofgem may have implicitly allowed for longer duration balancing services by approval of UNC mod 0822. In respect of this proposal it would be helpful if that could be more clearly articulated in the decision letter, referencing the relevant Article.

Finally, Article 8(6) is relevant, but the process is not outlined in the proposal or elsewhere so compliance cannot be ascertained by industry. We consider that the review should take place ahead of any tender rather than as part of an assessment once bids have been submitted. Ofgem should satisfy itself that any processes undertaken by NGT in advance of the annual tender conclude that balancing services are still desirable, with acceptance subject to NGT economic assessment. An Ofgem statement to this effect would give industry confidence in such review processes. We are particularly mindful here that option fees are payable irrespective of whether or not exercise is likely and that at some point in the future such contracts may no longer be deemed necessary or efficient.

8(6). The transmission system operator shall review the use of its balancing services annually in order to assess whether available short term standardised products would better meet the transmission system operator's operational requirements and whether the use of balancing services could be reduced for the next year.

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

Energy UK agrees with the timeline in the modification report

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

N/A

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

Not fully reviewed, but we note there are different approaches to the calculation of the exercise payment for User DSR and Consumer DSR, which relate to the prevailing nomination and option quantity respectively. We are unsure whether this could lead to any unintended consequences, but recognising the pace of development of this product accept that it is a pragmatic solution, which could be refined in due course. We welcome National Gas' commitment to hold a workshop on 17th July to work through some examples.

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.*

Nothing further to add

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

Nothing further to add