

**Representation - Draft Modification Report UNC 0845**

**Enhancements to Demand Side Response (DSR) Arrangements including a D-5 Product**

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

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	Julie Cox
<b>Organisation:</b>	Energy UK
<b>Date of Representation:</b>	13 July 2023
<b>Support or oppose implementation?</b>	Qualified Support
<b>Relevant Objective:</b>	a) Positive b) Positive
<b>Relevant Charging Methodology Objective:</b>	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 to help to avoid or reduce a supply / demand imbalance at times of extreme system stress. 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 proposal specifically enables participation of parties that require a longer notice period in order to reduce gas offtake.

We agree there may be positive impact on relevant objectives a and b, noting greater uncertainty when calling DSR options at D-5 than dayahead. However, we are less clear about objective g. In particular whether the purchase and use of a balancing service (in this case DSR) is compliant with the EU balancing code Art 8(1) in relation to the purchase of balancing services and Art 9 1(c) with respect to utilisation.

*8 (1). The transmission system operator is entitled to procure balancing services for those situations in which short term standardised products will not or are not likely to provide the response necessary to keep the transmission network within its operational limits or in the absence of liquidity of trade in short term standardised products.*

*9.(1)c only use balancing services where short term standardised products will not or*

*are not likely to provide, upon assessment of the transmission system operator concerned, the response necessary to keep the transmission network within its operational limits.*

NGT and Ofgem must satisfy themselves that the threshold included in the modification and legal text of a 14mcm shortfall at D-5 is sufficient to warrant exercise of options at that point in time, such that short term standardised products will not be available closer to real time.

Article 8(5) is also relevant as this 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 review 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.

**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