

Representation - Draft Modification Report UNC 0856

Introduction of Trials for Non-Daily Metered (NDM) Demand Side Response (DSR)

Responses invited by: **5pm on 04 December 2023**

To: enquiries@gasgovernance.co.uk

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

Representative:	Sam Hughes
Organisation:	Citizens Advice
Date of Representation:	4/12/23
Support or oppose implementation?	Qualified Support
Relevant Objective:	<ul style="list-style-type: none"> a) Positive b) Positive f) None d) Negative
Relevant Charging Methodology Objective:	Not Applicable

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

Summary

We support the modification as an enabling modification provided our concerns about the implementation of a trial can be addressed in the specification. Overall the potential benefits of the enabling modification outweigh our competition concerns, but competition should be considered for any future wider rollout of gas DSR.

Mitigations

For the reasons set out by the proposer we understand the benefits to NGT of trialling Demand Side Response among non-daily metered customers, including domestic and small business customers. This would provide an evidence base on which to assess the future potential of gas demand side response from these customers, particularly to support energy resilience and help mitigate the risk of a Gas Deficit Emergency (GDE).

This modification is essentially an enabling modification as it does not implement the trial without further agreement and consultation on the terms and conditions and specification documents, with formal approval from Ofgem.

We consider that the use of demand side response in gas is a materially different proposition to its use in the electricity sector by the Electricity System Operator. With 85% of homes using gas for heating, the gas reduction strategies that can be used, particularly by domestic customers, are more limited to reducing gas from heating and cooking. We therefore expect risks to consumers in winter and during a cost of living crisis to be higher, and particularly for customers in vulnerable circumstances.

Mitigations are being explored by NGT outside of the UNC process. Suitable mitigations should be an essential criteria for Ofgem's assessment of the trial.

Evaluation

However, it is also essential that any trial that does take place includes a robust evaluation process which understands consumers' experience of taking part (or not taking part). A system level assessment would not, on its own, suitably demonstrate whether a trial has met the success criteria.

Requirements for a consumer experience evaluation are not explicitly referred to in the modification, draft terms and conditions document, or draft specification document. Although it may not be required to deliver the solution of the modification, we consider this to be essential and would urge NGT to ensure this is included as part of any specification, and that Ofgem requires its inclusion.

Relevant objectives

For the reasons set out below (Impacts and Costs) we consider that the modification is likely to be negative against relevant objective d) Securing of effective competition. However, we also note that relevant objective d) does not appear to suitably account for the potential for effective competition between shippers, suppliers and third parties in circumstances such as flexibility/demand side response.

Our views about the modification being positive for relevant objectives a) and b) are provisional on specifications for a trial providing suitable protections to consumers, and particularly those in vulnerable circumstances.

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

N/A

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

Our understanding is that a gas demand side response trial, as written, would not be able to facilitate competition between current gas shipper/suppliers and third parties.

Although limited, the ESO's demand flexibility scheme does enable competition as consumers can choose between their supplier or a number of third parties, enabling consumers to seek the best reward for their electricity reduction efforts.

Consumers may be unlikely to switch suppliers for the purpose of a trial. In the absence of effective competition in a gas DSR trial, there is a risk that gas shipper/suppliers do not pass on a fair payment to consumers for any gas reductions they achieve.

We would strongly encourage NGT and Ofgem (when assessing the trial specification document) to ensure that if competition cannot be practically achieved from the modification solution, that consumers are otherwise protected and shipper/suppliers only retain the proportion of payments from NGT which are appropriate for the efficiently incurred costs required to facilitate the trial.

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

The legal text has not been 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.*

N/A

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

N/A