

Dear Colleague,

Following the UNC Modification consultation and continued engagement with industry stakeholders including Ofgem and Department for Energy Security and Net Zero (DESNZ), National Gas Transmission (NGT) have decided to cease development of the NDM DSR products.

In March 2023 the DESNZ published its 'Powering Up Britain - Energy Security Plan' which stated, "The Government is working with NGT to increase the available volumes for industrial demand reduction for winter 2023-24 and investigate options for how domestic and smaller business gas consumers could participate more in future schemes".

Following this statement, NGT have been working closely with key stakeholders and industry parties to develop collective thinking and understanding on the suitability of a NDM DSR product which resulted in UNC Modification Proposal [0856](#) being raised. This Modification is seeking to introduce a framework to permit NGT to run NDM DSR trials subject to industry consultation and approval from Ofgem.

As part of the process to develop the Specification Document and understand a potential NDM DSR product a separate workstream was run in parallel to create the business rules and allow NGT and industry to better understand the risks associated to a NDM DSR product. Engagement with charities, consumer groups and Shippers/Suppliers has highlighted two material primary risks:

1. Vulnerable Consumers – It would not be possible to confidently identify or protect consumers from harm or exploitation.
 - The Priority Service Register (PSR) could not be relied upon to identify these vulnerable consumers.
 - There are a material number of domestic consumers on non-domestic energy tariffs.
 - Consumers may be exploited by a third party regardless of their choice.

2. Incentivisation – Material differences on payment expectations.
 - NGT's proposal of not exceeding the Value of Lost Load (VoLL) was viewed negatively by the industry.
 - Suggestions that £3-£6/kWh would be required to stimulate participation.
 - Whilst we appreciate this is the price potential DSR participants believe to be warranted, we don't consider this price point to be economic and efficient in the broader sense of the DSR product.

The material social and economic risks that have been raised present concerns and NGT cannot foresee a scenario where Ofgem are likely to approve a Specification Document unless the risks have been mitigated. Ofgem's principal objective in carrying out its functions in relation to gas is to "protect the interests of existing and future consumers, and particularly those with protected characteristics" and NGT do not believe the current market conditions for NDM DSR is consistent with this.

However, should these factors change and the risks are able to be mitigated, having the framework in place which allows NGT to enact trials for NDM DSR and react more quickly to changing environments could be beneficial. Therefore, we still see value in the framework proposed in Modification 0856 and continue to support its implementation.

We would like to thank all the industry stakeholders who have engaged with us to explore the concept of NDM DSR.

If you require any additional information, please contact matthew.newman2@nationalgas.com