










| UNC Draft Modification Report | At what stage is this document in the process? |
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| <h1>UNC 0866S:</h1> <h2>Amendments to Demand Side Response (DSR) Arrangements</h2> | <div style="display: flex; flex-direction: column; gap: 10px;"> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 01 Modification </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 5px; display: flex; align-items: center; gap: 10px;"> 04 Final Modification Report </div> </div> |
| <p>Purpose of Modification:</p> <p>To introduce further enhancements to Gas DSR arrangements for daily metered consumers following experience of recent reforms and based on consumer feedback.</p> | |
| <p>Next Steps:</p> <p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this Self-Governance Modification.</p> <p>The close-out date for responses is 03 May 2024, which should be sent to enquiries@gasgovernance.co.uk. A response template is available at http://www.gasgovernance.co.uk/0866.</p> <p>The Panel will consider the responses and agree on whether or not this Self-Governance Modification should be made.</p> | |
| <p>Impacted Parties:</p> <p>High: National Gas Transmission, large industrial consumers</p> <p>Low: Shippers, GDNs, IGTs</p> | |
| <p>Impacted Codes: None</p> | |

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| Modification timetable: | |
| Pre-Modification Discussed | 04 January 2024 |
| Date Modification Raised | 08 January 2024 |
| New Modification to be considered by Panel | 18 January 2024 |
| First Workgroup Meeting | 01 February 2024 |
| Workgroup Report to be presented to Panel | 18 April 2024 |
| Draft Modification Report issued for consultation | 19 April 2024 |
| Consultation Close-out for representations | 03 May 2024 |
| Final Modification Report available for Panel | 09 May 2024 |
| Modification Panel decision (at short notice) | 16 May 2024 |
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1 Summary

What

Over the past 18 months, National Gas Transmission (NGT) has worked intensively with the industry, particularly large industrial consumers and their associations, to deliver reforms to the gas DSR arrangements with the aim of improving NGT's access to voluntary demand side response from daily metered Consumers as a pre-emergency tool that could mitigate the risk of a network gas supply emergency (NGSE) arising, and to limit its duration and severity if one *did* arise. Feedback from these discussions has resulted in different, potentially better ways of doing things being identified.

Why

Request Group 0835R¹ has identified a number of areas in the DSR regime that, if reformed, could result in more participation from consumers in DSR arrangements and the deployment of DSR at times of national gas supply shortage being more effective. This Modification is being raised as a 'successor' Modification to that Request Group's considerations.

How

The DSR arrangements for daily metered Consumers will be reformed in the following areas:

- The timings and content of the DSR Options procurement tender process;
- How the process of exercise of a DSR Option works, including how the 'starting point' for demand reduction is determined;
- Enable Class 2 Consumers to contract directly with NGT for DSR Options; and
- Amend the credit rules for Consumer DSR.

A separate Modification is being raised in parallel which will seek to deliver the concept of aggregation into Gas DSR arrangements for daily metered consumers.

2 Governance

Justification for Self-Governance

Self-governance procedures are proposed because this Modification seeks to deliver incremental amendments / enhancements to existing arrangements. Therefore, while this Modification is expected to be beneficial in terms of system safety and security of supply, the Proposer does not believe that such impacts will be sufficiently material to warrant Authority Direction.

Requested Next Steps

This Modification should be considered a non-material change and subject to Self-Governance.

¹ [0835R - Review of Gas Demand Side Response Arrangements | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/0835R-Review-of-Gas-Demand-Side-Response-Arrangements)

Workgroup's Assessment

Governance route

A Workgroup Participant voiced concerns relating to the precedent set by [Modification 0852](#), which was not considered suitable for self-governance. The Workgroup Participant justified this view by pointing out that following on from 0852, the introduction of a Modification which extends the scope of these services into Class 2 (creating a broader demand for these services) means that, by definition this Modification 0866 cannot be considered suitable for self-governance (for further information see SEFE Energy Modification 0852 [consultation response](#)). Users who can deliver a minimum of 100,000kWh per day are the targets for the enhancement of participation.

At the 04 April 2024 meeting the Proposer (NGT) maintained that this Modification should remain as Self Governance. The comparison to 0852 is flawed; recognising that this Modification 0866S does widen the potential pool of DSR participants but in and of itself would not reach the Authority Direction bar. In addition, 0852 posed a challenge in principle to which parties should be responsible for providing notifications and would change the routes of communications and thus would be a more material change.

Timetable

If the Modification is sent out to consultation following the April 2024 Panel meeting, there may be opportunities to make the process fit such that the FMR is considered at the May Panel meeting which could assist with decision-making timetables. It should be noted that the Workgroup has been supportive of the Modification in general and thus it is not deemed to be a controversial Modification.

Given the 100,000kWh daily consumption threshold, this Modification is NOT in any way aimed at Domestic consumers.

The following possible faster timetable was drafted by Joint Office and considered by the Workgroup on 04 April;

| | |
|---|---------------|
| Workgroup Report to be presented to Panel | 18 April 2024 |
| Draft Modification Report issued for consultation | 19 April 2024 |
| Consultation Close-out for representations | 03 May 2024 |
| Final Modification Report available for Panel (close of play) | 09 May 2024 |
| Modification Panel recommendation | 16 May 2024 |

The Proposer and a Workgroup Participant supported a slightly shorter consultation period and the proposed revised timetable. No Workgroup Participants objected to this suggested acceleration.

3 Why Change?

NGT has been working intensively with industry and consumers in recent times to deliver gas DSR reforms which have sought to improve the effectiveness of DSR as a pre-emergency tool. Key changes have included:

- Introduction of an 'option and exercise' procurement tender and contractual structure;
- Enabling consumers to directly contract with NGT for DSR; and
- Expanding the ability for participation in DSR to all daily metered consumers.

Whilst market growth has been achieved, the 0.6 mcmd of DSR pre-contracted for this winter is still a relatively low volume. During NGT's engagement with Consumers and their associations in 2023, a number of

enhancements to existing arrangements were suggested, which, in addition to the Proposer's own ideas, could help to increase the volumes of DSR offered that NGT now wishes to progress via this Modification.

If these changes are not made, total DSR offered volumes might remain relatively low and the potential for voluntary industrial and commercial demand reduction at times of system stress as a means of mitigating the risks associated with a network gas supply emergency (NGSE) will not be maximised.

NGT is seeking to implement the reforms proposed by this Modification into the 2024 DSR Options tender. After that tender, NGT proposes to take stock to assess whether any further DSR reform would be warranted, or if there are other gas security topics that its time, and industry's time, would be better spent working on. For example, we note that the Government intends to issue a 'Call for Evidence' on the future role of storage and other forms of gas system flexibility in Q1 2024².

4 Code Specific Matters

Reference Documents

The UNC Modifications that have delivered recent DSR reforms are as follows:

[Final Modification Report 0822](#)

[Final Modification Report 0833](#)

[Final Modification Report 0844](#)

[Final Modification Report 0845](#)

The most recent DSR Options Tender Report which includes price and volume data can be found on the NGT website [here](#).

Further information on gas DSR can also be found on the NGT website [here](#).

Knowledge/Skills

An appreciation of existing DSR arrangements and how it operates as a pre-emergency tool would be helpful. A link to an NGT webinar from 2023 is provided [here](#).

5 Solution

In these business rules, 'Shipper DSR' refers to DSR Options contracted between NGT and a Shipper User and 'Consumer DSR' refers to DSR Options contracted between NGT and a Consumer.

1. NGT's obligation to launch the annual DSR Options Invitation tender shall be brought forward from 31 August to 31 July in order to mitigate risks associated with sites changing shipper from 1 October and, for Consumer DSR, to allow Consumers sufficient time to sign the [contract](#) and put security in place if required.
2. The period within which NGT must assess DSR Option Offers and notify acceptance / rejection shall be amended from 10 business days as follows:

² [Role of gas storage and other forms of flexibility in security of supply](#)

| | | | |
|-------------------|---|---|--|
| | Less than 15 DSR Option Offers received | More than 15, less than 20 DSR Option Offers received | More than 20 bids DSR Option Offers received |
| Assessment Period | Not more than 10 business days | Not more than 15 business days | Not more than 20 business days |

3. Within 2 Business Days from the date on which a DSR Options Invitation closes, NGT shall notify all parties that have submitted a DSR Option Offer of the assessment period that is applicable.
4. When assessing DSR Option Offers, NGT is currently obliged to rank all offers in order of Combined Price (option plus exercise). NGT shall be permitted to give priority to Within-Day and D-1 DSR Option Offers over D-5 offers and consider the relative value of offers based on quantity offered (larger quantity has more value to NGT) the option price (which will definitely be paid if the offer is accepted) and the exercise price (which has a low likelihood of being paid), as well as any restrictions specified by the tenderer (e.g. BRs 7 and 8).
5. The information that NGT is obliged to publish post tender pursuant to UNC TPD 7.6.6 shall be expanded to include:
 - a. the number of Consumers that submitted DSR Option Offers;
 - b. The number of Consumers that have had DSR Option Offers accepted;
 - c. the number of Users that submitted DSR Option Offers;
 - d. the number of Users that have had DSR Option Offers accepted;
 - e. the weighted average option and exercise prices accepted per DSR product (within-day, D-1, D-5); and
 - f. The sectors (being chemicals, food and drink, steel and glass (heavy industry), other manufacturing, public services, other) from which DSR Option Offers have been accepted.
6. Provision of information in BRs 5(e) and 5(f) shall be conditional on the number of DSR Option Offers within each category being greater than or equal to 3 (to ensure that the commercial confidentiality of DSR Options Offers is respected).
7. The ability for tenderers to specify a maximum number of days in a Winter Period that a DSR Option may be exercised shall be replaced with a maximum number of **consecutive** days (or part thereof in relation to a Within-Day DSR Option) of exercise.
8. For a within-day DSR Option, enable tenderers to specify a minimum number of hours that the exercise of that option may apply to. (For example, under current rules, a within-day option with a 3 hour lead-time could in theory be exercised by NGT at 0100 requiring a demand reduction for just one hour between 0400 and 0500 which might be difficult for the Consumer to enact due to the unsocial hour and would not deliver a meaningful reduction quantity for NGT).
9. The minimum Option Quantity for a within-day DSR Option shall be amended as follows to reflect the fact that the Option Quantity will never equal the exercised quantity due to the application of the lead-time and some of the gas day already having passed:

If Option Quantity – (Option Quantity / 24 * lead-time (hours) < 100,000 kWh, then NGT shall exclude that offer from its assessment process in accordance with the provisions of TPD D7.6.1(b).
10. NGT shall, not less than 10 Business Days prior to the publication of a DSR Option Invitation, publish a pre-tender communication that sets out the timetable for the forthcoming DSR Option Invitation and other such matters as NGT considers to be appropriate.

11. A prospective DSR Participant may, at any time between the date of publication of NGT's pre-tender communication and 5 Business Days before the DSR Option Invitation close date, request the Winter Average Demand in respect of a Supply Meter Point for which it is either the Consumer or the Registered User and NGT shall use its reasonable endeavours to provide it within 5 Business Days.
12. Subject to BR13, the Winter Average Demand that is applicable in respect of a DSR Option Offer shall be equal to the mean daily demand of the relevant Supply Meter Point over the Winter Periods of the past 3 years (instead of the mean of the most recent Winter Period) If 3 years' worth of historical demand data is not available, the Winter Average Demand will be determined based on the available history.
13. If a prospective DSR Participant considers that the Winter Average Demand in respect of a Supply Meter Point will not be reflective of its daily demand for the future Winter Period(s) in respect of which it is considering submitting a DSR Option Offer, that party may, as part of its DSR Option Offer, submit a forecast of daily demand for the relevant Winter Period(s) with accompanying rationale which NGT shall substitute for the historical Winter Average Demand that would otherwise have applied in its assessment process.
14. Where BR13 applies and the actual mean average daily demand in respect of the Winter Period(s) for which the DSR Option applies is materially lower than the forecast daily demand, that DSR Participant would receive a higher option fee than would be justified. Therefore, where BR13 applies in respect of DSR Option Offer, NGT shall:
 - a. Make payment of the Option Fee Instalments in respect of the months of November and December and withhold Option Fee Instalments in respect of the months of January, February, March and April pending the outcome of its assessment in BR14(b);
 - b. Not later than two months after the end of the Winter Period to which the DSR Option applies, compare actual mean average daily demand over that Winter Period against the forecast Winter Average Demand that was submitted by the DSR Participant;
 - c. Where actual mean daily demand in the relevant Winter Period is greater than or equal to 90% of the forecast, make payment of the Option Fee Instalments in respect of the months of January, February, March and April as soon as reasonably practicable as a single transaction to the DSR Participant; and
 - d. Where BR14(c) is not satisfied, make no further option fee payments to the DSR Participant in respect of that Winter Period.
15. Amend the termination rules for Shipper DSR in TPD D7.11.2 where a site has changed shipper to permit a 10 Business Day 'grace' period for a new shipper to confirm it wishes to take on the DSR Option from the outgoing shipper. (The current rules could be a problem for example if a DSR Option Offer is accepted, say, on 29 September and then the Consumer changes its Registered User on 1st October).
16. The quantity that NGT may exercise for D-5 Shipper DSR is at present "not less than the Option Quantity" (UNC TPD D7.8.5 and D7.8.6). This is based on the rationale that if a Shipper wanted to offer a higher quantity than it could, however in practice, NGT will only have the Option Quantity to call on at D-5, therefore this shall be amended to specify Option Quantity only.
17. Class 2 Consumers shall be eligible to submit DSR Option Offers to NGT and to contract directly with NGT should NGT accept such Option Offers.
18. Where a Consumer submits a DSR Option Offer and does not satisfy the credit conditions referenced in TPD D7.4.3(c), the DSR Contract shall provide that that Consumer may elect to receive its option fee after the Winter Period to which its offer applies instead of providing credit support.

19. Where a Consumer so elects pursuant to BR18, not later than 2 months after the end of the relevant Winter Period, NGT shall:
- a. Determine whether the Consumer has failed to comply with its obligations to respond to an exercise instruction given by NGT in respect of the DSR Option in accordance with TPD D7.7.4(b);
 - b. Where the Consumer has failed to comply on each occasion when NGT exercised the DSR Option, not make payment of the option fee to the Consumer;
 - c. Where the Consumer has complied with its obligations upon NGT exercise of the DSR Option on a day(s) but not on another day(s), make payment of an option fee as soon as reasonably practicable for a sum equal to what the Consumer would otherwise be entitled to receive pursuant to the provisions of TPD D7.7.5; and
 - d. Where either NGT has not exercised the DSR Option or the Consumer has complied with each exercise instruction given by NGT during the Winter Period, make payment of the option fee as soon as reasonably practicable to the Consumer for a sum equal to the aggregate of the Option Fee Instalments in respect of each month of the Winter Period.
20. Where BRs 14(c), 19(c) or 19(d) apply, each relevant User's share of such sum shall be processed on its Energy Balancing Invoice in respect of the month within which National Gas Transmission made its determination in respect of those business rules.

6 Impacts & Other Considerations

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No.

Consumer Impacts

This Modification is designed to increase the attractiveness of voluntary DSR for industrial and commercial consumers.

Workgroup Participants agreed with this.

What is the current consumer experience and what would the new consumer experience be?

Modifications 0844 and 0845 enabled more consumers to access the gas DSR market and NGT wishes to grow this market further by introducing further reforms via this Modification in response to consumer feedback. If this Modification is not implemented, some consumers that may wish to participate may be unable or unwilling to do so.

| Impact of the change on Consumer Benefit Areas: | |
|--|----------------------|
| Area | Identified impact |
| <p>Improved safety and reliability</p> <p>Existing DSR arrangements have secured a relatively low volume of demand which NGT can call upon in the event of a forecast supply shortfall.</p> <p>This low volume of demand that can be reduced voluntarily could mean that the situation escalates towards a gas deficit emergency (GDE), and the associated increased risks to network safety and reliability which result from falling pressures.</p> <p>This Modification is designed to further encourage voluntary DSR take-up such that this pre-emergency tool would be available to NGT in preventing such an escalation and mitigate such risks materialising, which could potentially impact all consumer groups.</p> <p>Workgroup views: Workgroup agreed with the statements put forward above by the Proposer.</p> | Positive |
| <p>Lower bills than would otherwise be the case</p> <p>The impacts on consumer bills from a GDE are unquantifiable in advance but likely to be significant as wholesale gas prices rise in response to the insufficient supply situation that would trigger such an event. The insurance premium to enable voluntary DSR that this Modification would further encourage would provide a mitigation against such an impact.</p> <p>Workgroup views: Workgroup agreed with the statements put forward above by the Proposer.</p> | Positive |
| <p>Reduced environmental damage</p> <p>We do not envisage any quantifiable impact on the environment as a result of this Modification. There is potential for additional consumers to offer DSR that may deliver it via fuel-switching to a more polluting source than natural gas but this is unknown at this stage.</p> <p>Workgroup views: There is a view that in the event of a gas supply shortage incident consumers might switch to an alternative fuel if it is available to them. Therefore, the assessment of unknown/negligible is appropriate.</p> <p>It may be preferable to have a small number of parties switch to an alternative fuel rather than have many parties having to do so as a result of a GDE.</p> <p>It could be argued that this point relates to Net Zero.</p> | Unknown / negligible |
| <p>Improved quality of service</p> <p>Declaration of a GDE resulting in compulsory firm load shedding would result in a significant impact on quality of service that for those parties that may be unable to continue their gas offtake. This Modification helps to mitigate such a scenario arising.</p> <p>Workgroup views: Workgroup agreed with the statements put forward above by the Proposer.</p> | Positive |

| | |
|--|-----------------|
| <p>Benefits for society as a whole</p> <p>The potential impact on heating capability, gas fired electricity generation, interruption to industrial production and knock-on impacts into wider supply chains that a GDE is capable of causing could result in a major economic and societal impact for the country. Putting in place additional measures via this Modification to encourage greater voluntary DSR volumes provides additional mitigation against such risks arising.</p> <p>Workgroup views: Workgroup agreed with the statements put forward above by the Proposer.</p> | <p>Positive</p> |
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Performance Assurance Considerations

Workgroup Participants and the Proposer did not believe that there were any Performance Assurance Considerations associated with this Modification.

Cross-Code Impacts

A Workgroup Participant pointed out that IGT sites are in scope of this Modification.

Workgroup Participants including the Proposer heard from C Gilbert (BUUK) who confirmed that the relevant text is already included in the IGT-UNC (based on the Legal Text which is drafted based on v2.0 of the Modification) and therefore no IGT Modification is likely to be required because the IGT UNC points to the UNC in respect of gas DSR provisions.

(Note that the amendment to text consistent with V3.0 of the Modification does not affect this conclusion)

EU Code Impacts

None identified. Potential impacts in relation to the EU Balancing Code were considered during the development of Modification 0844, which were included in the [Final Modification Report 0844](#).

Central Systems Impacts

No changes to central systems are expected, however some of the processes that the CDSP performs in relation to the voluntary DSR arrangements could (or in some cases, would) be impacted.

- The CDSP carries out invoicing processes for NGT in respect of Consumer DSR. Expanding eligibility for Consumer DSR to Class 2 Consumers could result in an increased number of counterparties to whom DSR option and exercise payments would need to be made. The CDSP considers that it is currently able to fulfil this function with up to approximately 30 counterparties but should this number materially grow then additional resource and/or an alternative invoicing process would be required.
- Ahead of each DSR Option Invitation tender, the CDSP currently provides NGT with a list of all Class 1 and Class 2 Consumers and their Winter Average Demand, determined by reference to the previous Winter Period only. NGT requires this activity to continue to enable it to discharge BR11, however, if this Modification is implemented, NGT would require the CDSP to provide this report based on a 3 year Winter Period demand history.
- Where an option payment(s) or part thereof is held back pursuant to BRs 14 and 19, NGT would give this instruction in respect of the relevant Consumer(s) to the CDSP as part of its monthly payment schedule. (Provision of such a schedule to the CDSP is now a BAU process for NGT post allocation of DSR Options). Following NGT's validations post winter pursuant to these BRs, NGT would need to instruct the CDSP to

either make payment of the outstanding balance of the option fee that is due (or not due as the case may be) which the CDSP would then discharge in accordance with BR20.

- Where BR14(b) applies, NGT would request the CDSP to provide the mean average daily demand in respect of the relevant Consumer.
- NGT would perform the determinations required under BR19 and inform the CDSP in accordance with current arrangements so no CDSP process change would be required for this business rule.

The CDSP representative at the 4 April meeting pointed out that a change proposal will be raised by NGT for consideration at the DSC change management committee meeting in April.

A Workgroup Participant at the 25 March meeting asked if the “accompanying rationale” (proposed TPD D para 7.2.5) is to be checked/verified in any way and if so, would this mean more actions for CDSP to fulfil and therefore create CDSP cost?

The Proposer confirmed at the 4 April meeting that **no** ex-ante verification is included in the process so there would be no additional work for the CDSP in respect of validating demand estimates.

Initial Representations

None Received.

Panel Questions

Q1: Consider whether the DSR enhancements in the round are continuing to strike an appropriate balance for consumers.

The enhancements have been brought forward from the context of Request Group 0835R and in response to other feedback from consumer groups. The Workgroup has participated in the assessment process and NGT has acted upon Workgroup’s suggestions and parties have worked together to improve the DSR range of products (for example, discussions in Workgroup and with consumer groups have enabled retention of the multi-year contracts).

Workgroup Participants agreed that the proposed amendments under this Modification are appropriate as they build incrementally on those already in place. A Workgroup Participant suggested that a review after the 2024 tender event would be helpful to assess the responses. This might be a report to the Transmission Workgroup in autumn 2024 to consider whether any further development is justified.

Workgroup Impact Assessment

1 February 2024

In initial discussions the Proposer explained how this Modification seeks to deal with some recognised shortcomings in the current DSR arrangements and encourage greater participation.

Some Workgroup Participants welcomed the proposed enhancement to reporting and encouraged NGT to consider how feedback might be provided to unsuccessful bidders in order that they might be able to bid more competitively in future rounds.

In respect of the minimum size of bid that would be eligible for selection within-day and any related rules for lead-times Workgroup Participants agreed that a clear arithmetic mechanism would be preferred. NGT agreed to revise the proposal. Workgroup Participants urged NGT to set clear criteria for judging whether performance of a DSR reduction had been delivered in accordance with a bid. Workgroup Participants suggested that having

a tolerance for measuring compliance would be inappropriate as customers will already have factored a margin of error into their bid.

In respect of bidders that fail the credit checks Shipper participants asked NGT to consider whether payments should be withheld until after the winter as there may be greater difficulty in enforcing the arrangements for 'claw-back' of payments where there is non-performance. A similar point was made in relation to customers that submit a revised estimate for their demand level rather than using the default Winter Average Demand. The Shipper concern arises because payments are funded through Balancing Neutrality. NGT agreed to reconsider the proposals.

7 March 2024

Version 2.0 of the Modification was considered at the March meeting. Workgroup Participants welcomed the changes that had been made in response to earlier comments. The Proposer presented a worked example to illustrate how amended Business Rule 9 would operate and also to explain the rationale for Business Rule 11.

BR9: If Option Quantity – (Option Quantity / 24 * lead-time (hours)) < 100,000 kWh, then NGT shall exclude that offer from its assessment process

Worked example 1

WAD: 300,000 kWh

DSR Reduced Quantity: 5,000 kWh

Option Quantity = 295,000 kWh

Offered lead-time: 3 hours

$295,000 - (295,000 / 24 * 3)$

$295,000 - 36,875 = 258,125 \text{ kWh}$

258,125 > 100,000, therefore NGT would regard this as a valid offer and INCLUDE it within its assessment process

BR9: If Option Quantity – (Option Quantity / 24 * lead-time (hours)) < 100,000 kWh, then NGT shall exclude that offer from its assessment process

Worked example 2

WAD: 110,000 kWh

DSR Reduced Quantity: 5,000 kWh

Option Quantity = 105,000 kWh

Offered lead-time: 3 hours

$105,000 - (105,000 / 24 * 3)$

$105,000 - 13,125 = 91,875 \text{ kWh}$

91,875 < 100,000, therefore NGT would NOT regard this as a valid offer and would therefore EXCLUDE it from its assessment process

BR11: Determination of 'starting point' for exercise of Consumer DSR and D-5 Shipper DSR

Task: To determine whether the 'starting point' for demand reduction for Consumer DSR and D-5 Shipper DSR should remain as Winter Average Demand or change to the average daily demand for the previous 7 days

Our analysis was based on the following:

- Data Period: Winter 2022/23

- Site Type: Class 1 Sites
- Sites in scope: 509
- Gas day: 13th December 2022 (lowest temperature recorded during winter 2022/23)

Data considerations:

- Sites with a variance greater than 400% (due to turn on / turn off) were removed to prevent data becoming skewed
- Does not account for any changes in behaviour over weekend and weekday
- Unable to account for site type behaviours

Results

The results of the analysis revealed that when compared to actual demand, the average difference for all sites was:

Previous 7-day average: 24.83%

WAD: 36.32%

Conclusions:

- The dataset (albeit limited) shows the 'previous 7-day average' measure to have a slightly better correlation to actual demand than WAD
- We do not consider the difference to be sufficiently material to warrant an alternative approach

25 March 2024

V2.0 changes to the Modification shown in tracked changes were discussed.

Workgroup Participants reviewed the Legal Text which enacts the Modification v2.0. and the Proposer was asked to consider some further amendments in Relation to the Business Rules relating to payments being made to consumers. Some Workgroup Participants again urged NGT to consider what proportion of the payments should be withheld until after the winter when actual performance might be properly assessed.

4 April 2024

The Proposal was amended to V3.0 and the changes were reviewed at the 4 April meeting. Some minor typographical errors had been identified and corrected. The main proposed change adjusted the proportion of the option payment that would be made where the calculation has been based on an estimate of the demand rather than the default WAD. The revised proposal is that 1/6 of the option payments would be made in November and December and the remaining 2/3 withheld until after the winter. A Workgroup Participant supported this change and no Workgroup Participants objected.

Concluding comments

The Workgroup has participated in the development process and NGT has acted upon Workgroup's suggestions and parties have worked together to improve the DSR range of products (for example, discussions in Workgroup and with consumer groups have enabled retention of the multi-year contracts) and addressed concerns about the potential risk of gaming the demand estimates.

Reference Documents

DSR Framework and Methodology document (TPD D 1.5.1)

The Proposer confirmed that a change to the DSR Methodology is expected to be required and that a consultation would then be issued. The Proposer added that this is a further reason to accelerate the timetable so that this can be completed in good time.

In addition, a revision to the consumer contract will be required and the Proposer suggested that this would also be consulted upon (although such consultation is not required under any governance). Alignment of timings for the consultations would be helpful.

7 Relevant Objectives

Impact of the Modification on the Transporters' Relevant Objectives:

| Relevant Objective | Identified impact |
|--|-------------------|
| a) Efficient and economic operation of the pipe-line system. | Positive |
| b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters. | Positive |
| c) Efficient discharge of the licensee's obligations. | None |
| d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers. | None |
| e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers. | None |
| f) Promotion of efficiency in the implementation and administration of the Code. | None |
| g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators. | None |

Relevant Objective (a) “efficient and economic operation of the pipe-line system” is furthered by this Modification, which is designed to encourage voluntary DSR and thus mitigate the risk of a supply shortage escalating to declaration of a GDE. Should a GDE be declared then compulsory firm load shedding would result in disruption and inefficiency in the operation and use of the network as some parties that would wish to be taking gas would be prevented from doing so.

Relevant Objective (b) “co-ordinated, efficient and economic operation of (i) the combined pipeline system and/or (ii) the pipeline system of one more other relevant gas transporters” is also furthered by this Modification, also due to its mitigation of a GDE being declared. If such an event occurred, in addition to firm load shedding on the NTS, Gas Distribution Networks may be given instructions to implement the shedding of firm loads within their networks resulting in disruption and inefficiency at LDZ level too.

Workgroup Assessment of Relevant Objectives

This Modification provides for enhancement to DSR and is designed to take the measures further and expand on the provisions already in existence. Workgroup Participants agreed with the arguments put forward by the Proposer.

8 Implementation

As Self-Governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

Should the Modification be subject to Authority Direction as a result of further consideration, NGT has suggested that a decision on this Modification would be required by 20 June 2024, in time for inclusion in the tender which will be published in Summer 2024.

9 Legal Text

Legal Text

Text has been provided by National Gas Transmission published alongside this report at:
<https://www.gasgovernance.co.uk/0866>

Text Commentary

Published alongside this report at: <https://www.gasgovernance.co.uk/0866>

Workgroup Assessment

The Workgroup considered the draft Legal Text on 25 March 2024 which enacts v2.0 of the Modification and is satisfied that it meets the intent of the Solution.

Further revisions to the text were reviewed by the Workgroup on 4 April 2024 (against v3.0). Some Workgroup Participants confirmed that the legal text meets the intent of the solution. There were no objections.

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that this Self-Governance Modification should proceed to consultation.

Some Workgroup Participants requested that Panel re-consider whether this Modification should be subject to self-governance procedures. An additional question in the consultation could elicit further information in this regard.

Some Workgroup Participants continue to be of the view that self-governance procedures are appropriate.

Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this Self-Governance Modification.

Panel have asked respondents to consider four aspects which may affect the suitability for self-governance:

Q1. In light of the proposed change in treatment to the bid-stack (BR 4), do you consider that this Modification is suitable for Self-Governance procedures? Can you provide evidence relating to materiality?

Q2. Given the extension to Class 2 (BR 17), do you consider that this Modification is suitable for Self-Governance procedures? Can you provide evidence relating to materiality?

Q3. Given the change in credit support (see BR 18), do you consider that this Modification is suitable for Self-Governance procedures? Can you provide evidence relating to materiality?

Q4. In light of the approach taken to Modification 0852, do you consider that this Modification is suitable for Self-Governance procedures? Can you provide evidence relating to materiality?

11 Appended Representations

Initial Representation – None