



# Gas DSR Reform 2023: Lessons Learnt

Transmission Workgroup  
7<sup>th</sup> September 2023



# DSR Reform 2023: Lessons Learnt

- This year's DSR reforms have been implemented following Ofgem approval of UNC Mods 0844 and 0845 plus consequential changes to the DSR Methodology
- Seeking continuous improvement, we have conducted a 'lessons learnt' exercise internally, reflecting both on the 'what' and the 'how' of this year's reform programme
- The following slides capture our views and we are keen to enrich this by hearing from our customers and stakeholders too
- We will take the feedback and learning points on board
  - Specifically as we prepare to review certain aspects of the reforms and plan / work through the next set of DSR reform for 2024/25
  - Generally into the Markets team to inform best practice on other UNC Mods / projects

# DSR Reform 2023: Lessons Learnt

What went well?	Why?	Key learning points
<p>Prioritisation of which reforms to deliver for winter 2023/24 and what should wait for 2024/25</p>	<ul style="list-style-type: none"> <li>• Use of UNC Request route (0835R) to get everything on the table, then discuss with industry what should then be included in 0844 and 0845</li> </ul>	<ul style="list-style-type: none"> <li>• UNC Request is a useful route where there are a lot of issues but the solutions are still unclear</li> </ul>
<p>Reforms implemented without using urgent mod route</p>	<ul style="list-style-type: none"> <li>• Sufficient time and effective planning</li> </ul>	<ul style="list-style-type: none"> <li>• Identify issues and communicate plan early</li> </ul>
<p>Timely Ofgem decisions on mods, methodology and derogations</p>	<ul style="list-style-type: none"> <li>• Early regulatory engagement, plan shared showing the date when decisions were requested</li> <li>• Pragmatic approach (e.g. derogations rather than Licence change)</li> </ul>	<ul style="list-style-type: none"> <li>• Highlight ‘critical path’ early to relevant stakeholders</li> </ul>
<p>UNC Panel unanimous vote to recommend implementation of 0844 and 0845</p>	<ul style="list-style-type: none"> <li>• Nature of subject matter</li> <li>• Effective development process</li> <li>• Commitments to GDNs to work collaboratively on communication processes</li> </ul>	<ul style="list-style-type: none"> <li>• Understand which bits of a Mod are important to which stakeholders and agree a plan to deliver on them</li> </ul>
<p>No alternative mods were raised and we were able to agree with industry on almost everything</p>	<ul style="list-style-type: none"> <li>• Listened to and acted on concerns e.g. credit for Consumer DSR - discussion with EBCC and proposed a compromise position</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to work collaboratively with all stakeholders during mod development</li> </ul>

# DSR Reform 2023: Lessons Learnt

What went well?	Why?	Key learning points
Delivered progress and substantive change whilst recognising all the detail may not be perfect	<ul style="list-style-type: none"> <li>Pragmatic and transparent about what could be achieved this year</li> </ul>	<ul style="list-style-type: none"> <li>Our NGT value: <i>‘Progress: keeping our eyes firmly on moving forward, taking accountability and making decisions in an agile way’</i> is a good one</li> </ul>
Delivered direct contracting	<ul style="list-style-type: none"> <li>Challenged received wisdom and a previous NGT view</li> <li>Procured expert advice and shared with industry</li> <li>Provided assurance to industry that this would be ring-fenced to DSR only</li> </ul>	<ul style="list-style-type: none"> <li>Conventions can be challenged and viewed differently when context changes</li> <li>Bear in mind the ‘flip-side’ could be regulatory instability</li> </ul>
Complex legal drafting delivered on time	<ul style="list-style-type: none"> <li>Expert legal support</li> <li>Innovative approach</li> </ul>	<ul style="list-style-type: none"> <li>If projects are to be delivered by more than one mod, ensure each is capable of stand-alone implementation</li> </ul>
Regular communications with consumers to share and gain feedback on UNC proposals	<ul style="list-style-type: none"> <li>Creation of effective communications channel with consumers and associations</li> <li>JO and ENA timely communications on our behalf</li> <li>Use of Slido to gain feedback on options</li> </ul>	<ul style="list-style-type: none"> <li>Use associations to help with communications e.g. Energy UK, EIUG, CIA, MEUC</li> <li>Share draft presentation material to enrich slidepacks and ensure no surprises</li> </ul>

# DSR Reform 2023: Lessons Learnt

What went well?	Why?	Key learning points
Tender documentation issued on time (even a little early)	<ul style="list-style-type: none"><li>• Effective internal team-working between Markets and Commercial and Incentives teams</li></ul>	
Fuel-switching directions updated / expanded to reflect the DSR reforms	<ul style="list-style-type: none"><li>• Relationships with key officials in DESNZ, DEFRA and EA established last year as well as familiarisation with subject matter</li></ul>	<ul style="list-style-type: none"><li>• Some stakeholders would have welcomed clarity earlier</li></ul>

# DSR Reform 2023: Lessons Learnt

What did <u>not</u> work well?	Why?	What should we do differently
<p>Negative feedback from one consumer about our issue of a DSR letter to MDs of heavy gas users</p>	<ul style="list-style-type: none"> <li>• Failure to check in with working level contacts before issuing the letters</li> </ul>	<ul style="list-style-type: none"> <li>• Only send such mailshots to businesses with whom we do not have a working level arrangement already</li> <li>• Test any plans for senior level engagement with any working level contacts first</li> </ul>
<p>Zero responses to the DSR methodology consultation</p>	<ul style="list-style-type: none"> <li>• Crowded out by the 0844 and 0845 consultations?</li> <li>• Perceived as less important than the mod consultations?</li> </ul>	<ul style="list-style-type: none"> <li>• Where a mod requires a methodology change, ensure this is clearly articulated in the mod and communicated in the Workgroups</li> </ul>
<p>NGT and industry were unable to agree which party should have the obligation to inform the shipper in case of Consumer DSR exercise.</p>	<ul style="list-style-type: none"> <li>• Different views / perceptions of who is best placed to do this in principle and in practice</li> </ul>	

# DSR Reform 2023: Lessons Learnt

## Customer and Stakeholder Feedback

Who	Feedback Received

To be completed at the Workgroup meeting on 7<sup>th</sup> September. Please come prepared to share your thoughts.