

UNC Transmission Workgroup Minutes
Thursday 01 February 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Adaeze Okafor	(AO)	Equinor
Adam Bates	(AB)	SouthHook Gas
Andrew Pearce	(AP)	BP Gas Marketing
Anna Shrigley	(AS)	ENI
Alex Nield	(AN)	Storengy
Carlos Aguirre	(CA)	Pavilion
Charlotte Williams	(CW)	Interconnector
Chris Wright	(CWr)	Exxon Mobil
Christiania Sykes	(CS)	Shell
Conor McClarin	(CM)	National Gas Transmission (NGT)
Hannah Reddy	(HR)	Corella on behalf of Xoserve
Hannah Swindell	(HS)	Energy Security
Gavin Williams	(GW)	National Gas
James Lomax	(JLo)	Cornwall Insight
Jeff Chandler	(JC)	SSE
Julie Cox	(JCo)	Energy UK
Lauren Jauss	(LJa)	RWE
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Lucy Manning	(LM)	BP
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	ENI
Matthew Atkinson	(MA)	National Gas Transmission
Mathew Chandy	(MC)	Ofgem
Matthew Crowley	(MCr)	Gas Networks Ireland
Nick Wye	(NW)	WatersWye
Phil Hobbins	(PH)	National Gas Transmission
Richard Fairholme	(RF)	Uniper
Ronan Haas	(RH)	National Gas Transmission
Sarah Cooper	(SC)	Interconnector
Shiv Singh	(SS)	Cadent
Steve Mulinganie	(SM)	SEFE Energy
<p><i>This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.</i></p> <p><i>Please note these minutes do not replicate detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of papers are available at: https://www.gasgovernance.co.uk/TX/040124.</i></p>		

1. Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting.

1.1. Approval of minutes (04 January 2024)

The minutes from the previous meeting were approved.

EF drew attention to the outstanding action relating to the Mercury Content, advising this would be carried forward and discussed in the meeting in March 2024.

In relation to the Sustain Plus Programme, EF pointed to an update provided by NGT.

1.2. Approval of Late Papers

There were no late papers to record.

1.3. Review of Outstanding Actions

1002: Mercury Content - NGT (KAp) to provide an update following further sampling and risk assessment.

Update: An update will be provided in March 2024. **Carried Forward.**

1.4. Industry Update from Ofgem

Mathew Chandy (MC) provided an update from the latest Ofgem Expected Decision Dates (EDD) publication timetable at: <https://www.ofgem.gov.uk/publications/code-modification-proposals-ofgem-decision-expected-publication-dates-timetable> (see further below for the update table).

MC informed the Workgroup of the stakeholder consultation on proposed changes to NGT gas transporter licenses, which is expected to run until 14 February.

Another consultation which has been previously published regarding the implementation of energy industry governance reforms has an expected deadline of 23 April.

In relation to Modification 0823, the decision was published as a “not implement”.

Please see the following links provided by MC for further information on the consultations discussed:

<https://www.ofgem.gov.uk/publications/stakeholder-consultation-national-gas-transmissions-demand-side-response-licence-condition>

<https://www.ofgem.gov.uk/publications/energy-code-reform-implementation-consultation>

1.5. Pre-Modification Discussions

1.5.1. Implementation of the Reduced Lower Limit for Wobbe Index

Phil Hobbins (PH) provided an update to the Workgroup on the Pre-Modification, advising that he will be bringing a draft Modification to the Workgroup in March.

GSMR is set of a regulations that duty holders have to comply with to keep the network safe. Schedule 3 talks about technical parameters and the review by the Workgroup focuses on combustion parameters.

The original gas quality review included a proposals to widen the upper and lower limits of Wobbe index. However, at the conclusion, HSE advised that it did not have sufficient evidence to permit an increase to the upper limit but did agreed to reduce the lower limit. This change to GSMR won't take effect until April 2025.

. PH advised he has had conversations with every terminal operator to inform them of the new limit available and to see whether they would like to take advantage.

PH highlighted that whilst GSMR now permitted acceptance of gas with a lower Wobbe limit National Gas can only change entry agreements through consultation. The Enabling UNC Modification is a Modification raised to allow debates and discussions to take place with shippers and any other interested parties to allow the parameters at entry points to be amended, it does not change the text within the UNC. The purpose of the Modification is to obtain authorisation from the industry to make contractual changes to the Entry Network Agreement.

The intention is to raise one blanket Modification for all Entry points as opposed to separate Modifications for each.

PH acknowledged that Exit stakeholders require greater transparency from National Gas on gas quality. Part of the debate we will have over the next few months once the Modification has been raised, is how best this requirement of transparency is enabled.

It appears that more data is required to confirm whether adaptive measures are required at sensitive power stations to allow them to cope with the wider Wobbe index which is now available. Heat maps can be utilised to obtain an idea of which areas of the country will see lower Wobbe gas.

Julie Cox (JC) questioned the drafting of the Modification and what will be included. JC raised 3 points – real-time information, notification of change and notification of 3 years ahead where the gas is outside of the current GSMR. JC questioned whether an existing gas specification can be used due to issues relating to the Wobbe index changing too fast. Any costs incurred are likely to make their way through to the electricity market, it is not efficient for all plants to spend money to accommodate a lower Wobbe index if this is not required. Customer costs need to be managed.

PH advised that the information which is straightforward will be considered first in terms of including in the Modification. Provision of more difficult information will be considered at a later stage such as the need for tools for real-time tracking of gas as it moves through the network. JC suggested that NGT could seek funding for investment in new tools as a part of the next RIIO period.

PH will be liaising with the operators who have shown interest to ensure the position still remains the same with them and to ensure everything has been captured correctly in the Modification.

JC asked how information provision will fit into the Modification as Terminal operators are not party to the Code and are therefore not bound by the UNC. Network Entry Agreements may be the route but consideration will need to be given to how this will be achieved whilst taking into consideration commercial confidentiality.

JC added that it would be useful for something to be contained within the Modification that sets an expectation for the NEAs.

PH explained that the transparency expectation is likely to grow. Consideration will be given to other North Western European countries to understand what they do and to consider implementing similar arrangements within Great Britain. JC suggested Denmark as a point of consideration.

In relation to entry points, Nick Wye (NW) asked why storage facilities are not included in the list as they accept gas. NW questioned whether storage facilities had been contacted as part of the process.

PH advised that he was sure they had been contacted a while ago but did not appear to show interest. NW suggested consulting with the storage facilities again before the Modification is raised. PH and NW agreed to discuss further offline.

<p>New Action 0201: Phil Hobbins and Nick Wye to discuss consulting with storage facilities and obtain their views in relation to the lower Wobbe index. To provide an update at the next Transmission Workgroup.</p>
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Lauren Jauss (LJ) questioned whether an enabling Modification was required to affect exit points or whether this would take place automatically. PH confirmed that an enabling Modification is not required.

Christiana Sykes (CS) asked what would happen in the event damage was caused to a CCGT and who would compensate this. PH confirmed that of the obligations on NGT are to deliver gas that meets the specification in GSMR.

PH provided an overview of the indicative timeline to show the plan for the Modification up to April 2025. It is envisaged that an Authority Direction will be required, given the size of the Modification. If approved, there will be a site implementation which may require some tweaks to

be made to the Scada system. PH raised to the Workgroup the potential risk of admitting low Wobbe gas from Perencoe which might then immediately flow into the Interconnector. Discussions will be required to consider how this is resolved. An agreement in principle exists however it may require a change in Dutch Legal Regulations, and this may need to be a parallel work stream.

Steve Mulinganie (SM) highlighted the good examples within Europe and whether those examples will be considered. PH advised that there is scope for a debate from a Great Britain point of view, but in terms of aligning with European practice, we ought to design something that works for us. SM advised this sounds like reinventing the wheel and questioned whether there will be a consideration for the approach in Belgium being used as a baseline for discussions. Although the focus appears to be taking an 'island' view, it's important to remember we are connected to Europe and there is a benefit to learning a lesson.

SM asked whether listing all the terminals created a risk, for example, if there is a problem with one during discussions or the consultation, would this mean the Modification would fail? The efficiency of dealing with the terminals as one Modification is understood however there is a risk of an issue which could affect timing. In response to this, PH advised is unlikely as the law allows for this situation. Different entry points may have different reasons for wanting to consider the lower Wobbe index.

Some upstream parties tend to regard gas quality data as commercially sensitive and others do not. Some parties may also not have systems in place to deal with or understand the co-mingling of gas. The majority of power stations are likely to receive co-mingled gas and there are challenges with getting parties over the line with real-time entry data.

Please refer to the presentation slides published for further details and information.

2. EU Update

Ronan Haas (RH) provided an overview and background to the EU Gas Package confirming that an agreement regarding natural gas rules was reached in December.

The assessment is still a work in progress. Article 158 which has been modified and the provision to the impact to the UK will both need to be considered.

The EU is committed to decarbonisation and a new target for 2040 can be expected next week. In 2020, the Commission released a Green Deal involving the EU's plans to decarbonise the economy. The EU also distinguishes between the natural gas market and network and the hydrogen gas market and network. The two systems are separate in principle.

The package intends to introduce a new set of definitions to frame the approach and imported gas will be required to comply with the certification scheme.

Increased transparency will become prominent with more obligations regarding procedures relating to installation and more transparency from distribution operators.

The EU have decided to maintain tariffs at cross border points however there is the possibility of discounts. Tariff discounts exist between EU Member States and for storage facilities. National Regulators and Member States can decide not to apply for discounts or can choose to apply for lower rates, this is where the approach can be considered flexible.

LJ requested clarification on unabated gas and whether banning long-term contractual supply applies to the purchase of fossil fuel. RH confirmed that if an import of natural gas is low-carbon hydrogen, this can still be purchased and imported.

Mariachiara Zennaro (MZ) queried the definition of low carbon hydrogen and whether this would include nuclear derived or just nuclear. RH confirmed if you reach -70% of greenhouse gas, then yes. It will depend on the way it's been produced and the EU sustainable finance package will need to be considered. Nuclear gas can become complicated due to the legislation which has to be taken into consideration.

The objective in the long term is to have a system based on a hydrogen network. The distribution and transmission levels for hydrogen are now agreed.

Unbundling rules are already applicable for gas and electricity. There is flexibility in the application of unbundling rules. The same approach is used for natural gas, therefore the default rule is ownership of unbundling under the supervision of national gas operators.

If derogation is granted, an assessment will be required to be published every 7 years on the derogation.

RH discussed Article 19 and the topic of blending and that blending with Hydrogen should be used as a last resort, not a priority. The priority position is 100% hydrogen. In practice, if there is an agreement, this will allow the parties to agree beyond 2% for blending. If the level of blending is lower than 2%, Article 19 of the Regulation can be utilised in the event of restrictions for cross-border flow. If the blend is beyond 2%, it will be for the TSOs to agree on the best way forward. Article 19 will not be used by TSOs in practice due to the relationship.

RH discussed the use of the EU certification and when it will be applicable. RH confirmed it will apply to imported gas but not if an international scheme is recognised.

In terms of the implementation, this is likely to involve a lot of work. Several provisions will need to be considered. A number of implementation acts will be released in the coming years. The EU will engage in the revision of existing rules. RH advised it is important to raise awareness that the intention will be to engage in conversations with the EU regarding the Codes for Hydrogen. For the UK, a lot of guidelines have been inherited from the EU but there is likely to be the engagement of Modification over the coming years.

PH discussed the mandate given to develop harmonisation of gas quality for the entirety of Europe. If it is the whole of Europe, then cross-border trade will be unhindered. The standard should be as wide as possible within reasonable costs. Development has been going on for a while and the significant point was in 2015 when the matter came into fruition and included a position for the number of gas quality parameters, however, an agreement could not be reached at this point in relation to the Wobbe index.

BSI have been contacted to inform them that they can submit comments on behalf of the UK. PH discussed liaising with his contact as BSI in an attempt to set up a meeting for further discussion regarding provisions to formulate UK views. An alternative way could be for interested parties to submit comments. There is a tight timeline as it is only open till mid-March.

JC discussed the lack of binding obligations on the UK which raises an interesting question regarding British standards. PH advised this is the reason why a discussion would be good, so that perspectives can be shared. PH advised that his understanding is that the standard should be included within the EU Legislation or the Directive and that it seems wrong to put obligations on parties through a technical standard.

JC questioned what it would take to bring this into the UK. The UK would not be bound as we are not part of the EU but if we want to flow gas, compliance may be necessary.

PH recommended the approach of having a transparency conversation about the GSMR Modification but there will be a need to consider what will work best. It is also worth having a discussion with BSI or sending comments on behalf of the UK to ensure it is a properly informed conversation.

SM questioned the topic of blending and where this is commonly used as, if the idea is to pursue blending in the UK, there may be issues at interconnection points.

RH advised that blending is more apparent in the UK rather than in the EU. Discussions on blending within the EU started in or around 2021 and have been ongoing since. Germany and Belgium are examples of being considered more blending-friendly than Spain or France. Each country has to be considered to decide whether or not to blend. At the European level, the aim is to harmonise. It will be up to each TSO to decide whether they wish to have a blending flow across their borders.

Please refer to the presentation slides published for further details and information.

3. Transmission Change Horizon Plan

PH provided the [National Gas Transmission Change Horizon plan](#) and the Gemini Sustain Plus program update.

PH explained that there has not been a lot of movement apart from in relation to Gemini Sustain Plus.

EF advised that the decision on Modification 0823 was published as not to implement so the bottom swim line will need to be removed to reflect this.

Please refer to the presentation slides published for further detail and information.

4. Workgroups

The following Workgroup meetings took place:

4.1. 0835R - Review of Gas Demand Side Response Arrangements

(Report to Panel 21 March 2024)

<https://www.gasgovernance.co.uk/0835/071223>

4.2. 0866 – Amendments to Demand Side Response (DSR) Arrangements

(Report to Panel 18 January 2024)

<https://www.gasgovernance.co.uk/0866>

5. Issues

None.

6. Any Other Business

EF discussed the 2 Modifications 0860 and 0861 which had been taken out of the Transmission Workgroup and given standalone meetings. Modification 0861 has finished and is due to go back to Panel this month which leaves Modification 0860 by itself. EF therefore recommended adding Modification 0860 to the agenda for the next Transmission meeting in March.

Modification 0867 is the DSR aggregator Modification which may be considered at the Workgroup in March as well.

Gavin Williams (GW) raised that the annual 28 day consultation for SMPS is about to begin and provided a link to the webpage for further information: <https://www.nationalgas.com/about-us/how-were-regulated/gas-industry-compliance>

SM drew the attention of the Workgroup to the email sent out by the Joint Office regarding the priority customer consumer update and the reference to gas transporters writing out to shippers requiring them to demonstrate, by September 2024, that customers remain within the scope of classification. SM questioned the process or format the communication is likely to be in and that it would be helpful to understand how this will be actioned.

PH advised he had spoken with Tom Wilcock, the Emergency Planning Manager but could not recall what was discussed.

New Action 0202: Phil Hobbins to discuss with Tom Wilcock the process for demonstrating that customers remain within the scope of classification and how this is to be actioned by Shipper Members.
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7. Diary Planning

Transmission meetings are listed at: <https://www.gasgovernance.co.uk/TX>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Programme
10:00 Thursday	5 pm Wednesday	Solihull/	Standard Transmission

07 March 2024	28 February 2024	Microsoft Teams	Workgroup Agenda
10:00 Thursday 04 April 2024	5 pm Wednesday 27 March 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 02 May 2024	5 pm Wednesday 24 April 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 06 June 2024	5 pm Wednesday 29 May 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 04 July 2024	5 pm Wednesday 26 June 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 01 August 2024	5 pm Wednesday 24 July 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 05 September 2024	5 pm Wednesday August 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 02 October 2024	5 pm Wednesday 24 September 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 07 November 2024	5 pm Wednesday 30 October 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda
10:00 Thursday 05 December 2024	5 pm Wednesday 27 November 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda

Transmission Workgroup Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
1002	05/10/23	5.1	<i>Mercury Content</i> - NGT (KA) to provide an update following further sampling and risk assessment	March 2024	NGT (KA)	Carried Forward
0201	01/02/24	1.5.1	NGT (PH) and Nick Wye to discuss consulting with storage facilities and obtain their views in relation to the lower Wobbe index. To provide an update at the next Transmission Workgroup.	March 2024	NGT (PH)	Pending
0202	01/02/24	6	Phil Hobbins to discuss with Tom Wilcock the process for demonstrating that customers remain within the scope of classification and how this is to be actioned by Shipper Members.	March 2024	NGT (PH)	Pending

UNC Workgroup 0835R Minutes
Review of Gas Demand Side Response Arrangements
Thursday 01 February 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Adaeze Okafor	(AO)	Equinor
Adam Bates	(AB)	SouthHook Gas
Andrew Pearce	(AP)	BP Gas Marketing
Anna Shrigley	(AS)	ENI
Alex Nield	(AN)	Storengy
Carlos Aguirre	(CA)	Pavilion
Charlotte Williams	(CW)	Interconnector
Chris Wright	(CWr)	Exxon Mobil
Conor McClarin	(CM)	National Gas Transmission (NGT)
Hannah Reddy	(HR)	Corella on behalf of Xoserve
Hannah Swindell	(HS)	Energy Security
Gaby Bezzubovaite	(GB)	Department for Energy for Security
Gavin Williams	(GW)	National Gas
James Lomax	(JLo)	Cornwall Insight
Jeff Chandler	(JC)	SSE
Julie Cox	(JCo)	Energy UK
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Lucy Manning	(LM)	BP
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	ENI
Matthew Atkinson	(MA)	National Gas Transmission
Mathew Chandy	(MC)	Ofgem
Matthew Crowley	(MCr)	Gas Networks Ireland
Nick Wye	(NW)	WatersWye
Phil Hobbins	(PH)	National Gas Transmission
Richard Fairholme	(RF)	Uniper
Ronan Haas	(RH)	National Gas Transmission
Sarah Cooper	(SC)	Interconnector
Shiv Singh	(SS)	Cadent
Steve Mulinganie	(SM)	SEFE Energy

This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.

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1.0 Introduction and Status Review

1.1. Approval of Minutes (04 January 2024)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

No late papers.

2.0 Completion of Request Workgroup Report

Eric Fowler (EF) provided an overview of the Workgroup Report.

From the perspective of the Workgroup, it appears that this Modification has run its course.

Participants were reminded that the Review Group was suspended during the summer of 2023 to allow for effort to be concentrated in relation to the development of the 2 Modifications (0444 and 0845). During the suspension, issues that arose were noted with the intention to address them later on.

The Modification Panel and Workgroup question regarding NGT's license and balancing rules in the Tariff Code were dealt with in development of the Modifications.

EF pointed to an additional Modification related to DRS that whilst not launched from the Review Group did overlap with some of the considerations of the Group. Modification 0856 (Increasing flexibility in the UNC: Trials for balancing and pre-emergency tools) stimulated discussions on arrangements that may be necessary to implement and manage DSR with differing consumer groups.

Some of the options that were presented to the Review Group were identified as not being substantive enough to move forward to further consideration. The material considered has been highlighted within the Workgroup Report.

Phil Hobbins (PH) drew attention to the last sentence, advising that it might be worth adding "February 2024" as clarification.

Steve Mulinganie (SM) agreed that the Workgroup had considered the scope for Modifications in detail and the report provides a detailed position on the Modifications that have been launched to date. SM suggested closure.

EF advised he would tidy the report and allow the Workgroup time to consider it before a decision is made at the March meeting so that the Report can be returned to the March Modification Panel.

3.0 Next Steps

EF confirmed he would amend and publish the Workgroup Report for final consideration. This is to allow the Workgroup to read the report and bring to the next meeting, any discussions or comments they may have.

4.0 Any Other Business

None.

5.0 Diary Planning

0835R meetings are listed at: <https://www.gasgovernance.co.uk/0835>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 07 March 2024	5 pm Wednesday 28 February 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda

UNC Workgroup 0866 Minutes

Amendments to Demand Side Response (DSR) Arrangements
Thursday 04 January 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Adaeze Okafor	(AO)	Equinor
Adam Bates	(AB)	SouthHook Gas
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1.0 Outline of Modification

Eric Fowler (EF) introduced everyone and provided an overview of the Modification, explaining that it is scheduled to report to the Modification Panel in April. The Panel had provided a

supplementary question -*Consider whether the DSR enhancements in the round are continuing to strike an appropriate balance for consumers.*

2.0 Initial Discussion

2.1 Initial Discussion

PH provided an overview of the presentation pack in relation to this Modification to discuss what has been done so far and the proposals up until the summer to tender for DSR options.

PH highlighted that in relation to Modification 0866, in order to obtain the benefit, if there is one to be had, the Workgroup will need to move quickly as part of the proposal involves moving the timing of the DSR process forward. PH suggested that an additional Workgroup Meeting may be required in March, scheduled between the monthly Transmission Workgroup meeting.

April will involve finalising the Workgroup Report, following which the matter will go to Panel. This will then set up for Consultation around early summer. Consumers are not expected to join the Workgroup meetings so NGT plan to have a parallel engagement with them and discussions can be shared.

In relation to the DSR methodology some changes are required because the addition of text in the UNC through the Modifications means there has been some duplication between the methodology and the Code. The methodology should be amended to reflect and match the Code.

PH provided an overview of the Modification, explaining there is nothing fundamental and the solution has been drafted in the form of Business Rules.

Credit Rules were discussed in the context of a consumer that fails to perform the demand reduction when instructed. Steve Mulliganie responded that the payments being made for DSR are funded by Shippers and that if a consumer fails the credit check then it would seem reasonable to withhold payment until the end of the winter..

PH provided a discussion on the Tender options. The word “indicative” was used in relation to the timeline as the Code states the tender can be published no later than 31 August. PH illustrated the effect on the timeline if events are pushed back by a month.

NGT has also considered the option of a “bid stack” where there is some subjectivity in the assessment criteria. In relation to this Modification 0866, NGT also considered flexibility in terms of the number of days, explaining, that if a certain number of tenders are obtained, the time for the assessment period could be extended. For example, if more than 20 offers are received, this could mean a 20-day assessment period.

PH provided an overview of the Business Rules, explaining that UNC TPD Section D7.6 had been reproduced and details the procedures for accepting or rejecting offers. PH advised that the writing in red and underlined is not in the Modification but will be in the revised version for next month’s meeting.

Business Rule 3

The Workgroup discussed the flexibility regarding the within-day option which was assumed to be most useful. Upon reflection however, this did not appear to be the case if the demand reduction is effective for only a short part of the day. PH therefore suggested a subtle change of words to say we can prioritise within day and D-1 options.

SM drew reference to the detail in BR3, asking how it would apply for someone bidding and how they might determine the optimum path for their bid. He asked whether NGT might

increase the threshold to 200,000 kWh for within-day so that a bid would remain valid above the 100,000kWh limit for at least half the day.

PH advised there are options to consider however it could be that the value of within-day and D-1 is greater than that of 5-day ahead. However, this does not necessarily mean that within-day is of more value than D-1.

SM noted that if NHGT has greater freedom to exercise discretion then it becomes harder for a bidder to understand the optimum path for their bid, to improve its chances of acceptance. PH confirmed that rankings can be adjusted if required. The third change made in BR3 allows for flexibility in ranking. The price is important, however, equally, if larger quantities are obtained, this becomes more attractive to accept. Currently NGT are obligated to rank in terms of combined prices so added flexibility would be helpful.

SM commented that there will be a balance to be found in transparency of the actions taken by NGT, particularly where it has exercised discretion to vary from a simple selection.

Business Rule 4

PH advised that this Business Rule is in relation to the aggregate report. The wording in the Business Rule has been amended to now include "from which sectors".

PH advised of the intention to strike a balance with giving out market information without breaching confidentiality.

Julie Cox (JC) raised a point in relation to the confidentiality. For example, if there were 3 acceptances for a particular product, the price could be calculated and published. If there were fewer than 3 then publication might allow the bidding parties to back calculate the prices bid by others and in this circumstance the information might not be published although NGT should state why.

PH recognised that this could be a starting point to consider.

SM asked if the provision of information would need to be reflected in the changes made to BR3. Stakeholders and bidders would want to see the rationale for why one offer may have been accepted over another.

BR4 is in relation to transparency and BR3 is in relation to flexibility, therefore BR4 should state "transparent about application of flexibility".

PH explained this would be difficult to have in writing. PH advised he will try and publish a report so the Workgroup can consider and let him know if he has captured the position correctly.

Business Rule 5

During the consumer call, this Business Rule was considered. The feedback obtained has led PH to be minded to strike out BR5.

SM agreed that discussions with consumers were in relation to investment in backup fuels and BR5 reflected a longer term view.

PH confirmed there was sufficient evidence to strike out BR5 for now.

Business Rule 6

"Of part thereof" wording would need minor clarification if within-day option chosen as it would be part of the day.

Business Rule 7

PH considered the within-day option and in the event NGT decided to exercise later in the evening. As the within-day option has a lead time option, there could be the potential to exercise this at midnight, which would require someone to be present in the early hours of the day before the gas day ends. This is unlikely to happen but it was still a consideration.

PH recommended introducing the possibility to specify the minimum number of hours which the within-day option could apply.

Business Rule 8

PH discussed the within-day options mentioned earlier. PH advised there may be 2 options.

The first is in the Modification in which is to set a 200,000kWh minimum. The other is if the option quantity is divided by 24 to put into an hourly rate and to then multiply by the lead time. If the result is less than 100,000, the offer would be considered invalid. PH is more inclined to go for the latter option to avoid picking a figure at random.

SM queried how this might apply in practice in the event that a customer has placed a valid offer but that it then becomes invalid if there are insufficient remaining hours in the gas-day. He asked what are the consequences? The issue is that the customer is offering the contracted service but is unable to pass the test which would not be intentional on their part

PH explained it is part of the DSR exercise and if the customer's bid fails the test it would be simply struck out of the process but this is not the same as a failure to perform.

SM clarified that the principal is that the customer has offered a minimum of 100,000 at least at the start of the day. PH confirmed this is correct.

PH suggested that a worked example may be easier to demonstrate the position to the Workgroup.

Business Rule 9

NGT currently hold actual allocation data from the period of November to April last winter, however, they question whether this is the most reliable indicator of the forthcoming winter average demand (WAD). Some consumers advised it may not be reflective so considered going back 3 years as opposed to just 1 year. This was noted as potentially being more complicated if 1 winter period within the 3 years is materially different. In the event this happens, PH suggested taking this data out of the calculation.

The wording of the Business Rule will need to be amended as PH advised his understanding of statistical terminology may be incorrect.

Business Rule 10

This is linked to BR9 and PH explained that in the event a forecast is provided, a checks and balances process may be required due to a potential for gaming. This could arise if the consumer knowingly gives an inflated view of their demand, which means they have a higher option fee.

PH explained that some parameters might be set so that parties submit a fair estimate of their future demand and that there may be circumstances in which some of the option fees ought to be held back.

SM explained he understood what was trying to be done. Other than the customer's word, there is nothing to check the validity of it and the customer would be getting paid in advance of

their worth. In the event they are gaming or things aren't as expected, there may be a situation where another customer's bid is put above theirs. There is no way to validate this data.

SM queried the wording in the Business Rules relating to appropriate controls. In response to this SM suggested withholding the payment until after the event. If there are variations then deductions could be made accordingly. BR10 should be more stringent in terms of protection from SEFE's perspective.

PH took this on board for further considerations.

Business Rule 11

PH advised this is one of the few Business Rules relating to Shipper DSR. The Code states that if a new shipper wants to take an option, they have to specify in writing to NGT, no later than the supply point registration date. This may not be possible. The proposal is to allow for a grace period if the shipper wants to do this and receive option fee payments.

Business Rule 12

The idea is if shipper members wanted to offer greater options, they could. PH proposed to amend quantity.

Business Rule 14

"Reduced to" regime not "reduced by". Currently, in terms of the exercise payment, this is obtained from the WAD, however, this might not be the case.

The question in relation to this Business Rule is what is the best we can do or would it be more accurate to say, for example, if we took an average of 7 days, would this be a more accurate reflection of what the site is giving us on the day? Data needs to be obtained on this.

Business Rule 15

PH raised to the Workgroup what would be a suitable number to introduce as a tolerance when measuring the compliance of a consumer. If a consumer has failed to deliver and the 110% liability kicks in, PH stated this would seem harsh. This has been raised by a few consumers so NGT are open to considering the possibility of tolerance, whether this is as a straightforward percentage or on a sliding scale.

SM stated that customers are likely to have already factored in a margin of error and that the failure would be against their own position. If customers want a safety net, this should be built into their bid. If tolerance is applied, this may cause further complications when measuring performance.

Louise Hellyer (LH) stated this is more for instances when the customer has not bothered or has not done what they said they would. If the final position is a few KWH off, there should be a margin of error by a small number.

SM asked what would change if aggregators are brought into the market. There will always be arguments about how much is missed by but the fact is that it will still have been missed. SM raised that he understood what PH was trying to achieve but these are contracts being dealt with. SM advised he envisages further conversations regarding the flexibility of targets in the Code.

PH advised that this was a useful discussion and he could take the outcome to the next consumer meeting.

Business Rule 16

This Business Rule attempts to prevent the failure of the credit check from being a blocker to those wanting to participate.

SM questioned why 50% would be given, explaining that if they are failing the credit test, they should not be handed money. LH agreed, advising they should not be getting paid until they have passed the credit check.

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

PH reflected that this is a useful question. An initial view is that the enhancements are refining the DSR regime in a way that it is hoped will bring greater participation and value. EF suggested that the Workgroup respond more fully when the report is drafted.

2.2 Initial Representations

None

3.0 Next Steps

New Action 0201: Phil Hobbins to obtain anonymous real data and examples to present to the Workgroup at the next meeting as a demonstration of the Business Rules and Modification.

4.0 Any Other Business

None.

5.0 Diary Planning

0866 meetings are listed at: <https://www.gasgovernance.co.uk/0866>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 07 March 2024	5 pm Wednesday 28 February 2024	Solihull/ Microsoft Teams	Standard Transmission Workgroup Agenda

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0201	01/02/24	3.0	Phil Hobbins to obtain anonymous real data and examples to present to the Workgroup at the next meeting as a demonstration of the Business Rules and Modification.	March 2024	NGT (PH)	Pending