











UNC Request Workgroup Report		At what stage is this document in the process?
<h1>UNC 0749R:</h1> <h2>Increased DM SOQ Flexibility</h2>		<div>01 Request</div> <div>02 Workgroup Report</div> <div>03 Final Modification Report</div>
Purpose of Request: To explore options for allowing DM SOQs to be adjusted more flexibly, better reflecting costs and avoiding inefficient investment.		
	The Workgroup recommends that the Panel now consider this report.	
	High Impact: None	
	Medium Impact: DM Loads, DNOs, NTS	
	Low Impact: None	

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About this document: <p>This report will be presented to the panel on 21 October 2021.</p> <p>The panel will consider whether the Request should be closed.</p>		Contact: Joint Office of Gas Transporters
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1 Request

Why is the Request being made?

Non-traditional Daily Metered (DM) loads may see increased demands for short periods that are outside the peak. This can lead to SOQs that overstate the true peak and so give inappropriate investment signals, together with charge levels that are not cost reflective. Consideration should be given to the scope to improve cost reflectivity; support efficient network investment; and avoid inefficient investment decisions in respect of actual or potential DM sites.

Scope

The DM regime as specified within the UNC.

Impacts & Costs

A key output of the proposed Request is to identify potential impacts and costs of different options for change.

Recommendations

Workgroup consideration is proposed to identify the scale of the issue and the range of options for addressing any identified concerns.

Additional Information

The issue was discussed at the Distribution Workgroup meeting in November 2020 with participants suggesting that a review group is the best way forward at this stage.

2 Impacts and Costs

Consideration of Wider Industry Impacts

National Grid's Capacity Access Review is relevant as one possible development would be to allow DM loads to book NTS capacity directly.

Impacts

Impact on Central Systems and Process	
Central System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> To be developed by Workgroup
Operational Processes	<ul style="list-style-type: none"> To be developed by Workgroup

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> To be developed by Workgroup
Development, capital and operating costs	<ul style="list-style-type: none"> To be developed by Workgroup
Contractual risks	<ul style="list-style-type: none"> To be developed by Workgroup
Legislative, regulatory and contractual	<ul style="list-style-type: none"> To be developed by Workgroup

Impact on Users	
obligations and relationships	

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> To be developed by Workgroup
Development, capital and operating costs	<ul style="list-style-type: none"> To be developed by Workgroup
Recovery of costs	<ul style="list-style-type: none"> To be developed by Workgroup
Price regulation	<ul style="list-style-type: none"> To be developed by Workgroup
Contractual risks	<ul style="list-style-type: none"> To be developed by Workgroup
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> To be developed by Workgroup
Standards of service	<ul style="list-style-type: none"> To be developed by Workgroup

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> None
UNC Committees	<ul style="list-style-type: none"> None
General administration	<ul style="list-style-type: none"> None
DSC Committees	<ul style="list-style-type: none"> None

Impact on Code	
Code section	Potential impact
To be developed by Workgroup	<ul style="list-style-type: none">

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none"> None
General	Potential Impact
Legal Text Guidance Document	<ul style="list-style-type: none"> None
UNC Modification Proposals – Guidance for Proposers	<ul style="list-style-type: none"> None
Self Governance Guidance	<ul style="list-style-type: none"> None

Impact on UNC Related Documents and Other Referenced Documents	
	<ul style="list-style-type: none"> None
TPD	Potential Impact
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> None
UNC Data Dictionary	<ul style="list-style-type: none"> None
AQ Validation Rules (TPD V12)	<ul style="list-style-type: none"> To be developed by Workgroup
AUGE Framework Document	<ul style="list-style-type: none"> None
Customer Settlement Error Claims Process	<ul style="list-style-type: none"> None
Demand Estimation Methodology	<ul style="list-style-type: none"> To be developed by Workgroup
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> None
Energy Settlement Performance Assurance Regime	<ul style="list-style-type: none"> None
Guidelines to optimise the use of AQ amendment system capacity	<ul style="list-style-type: none"> To be developed by Workgroup
Guidelines for Sub-Deduct Arrangements (Prime and Sub-deduct Meter Points)	<ul style="list-style-type: none"> None
LDZ Shrinkage Adjustment Methodology	<ul style="list-style-type: none"> None
Performance Assurance Report Register	<ul style="list-style-type: none"> None
Shared Supply Meter Points Guide and Procedures	<ul style="list-style-type: none"> To be developed by Workgroup
Shipper Communications in Incidents of CO Poisoning, Gas Fire/Explosions and Local Gas Supply Emergency	<ul style="list-style-type: none"> None
Standards of Service Query Management Operational Guidelines	<ul style="list-style-type: none"> None
Network Code Validation Rules	<ul style="list-style-type: none"> None
OAD	Potential Impact
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> None
EID	Potential Impact
Moffat Designated Arrangements	<ul style="list-style-type: none"> None
IGTAD	Potential Impact
	<ul style="list-style-type: none"> None

Impact on UNC Related Documents and Other Referenced Documents	
DSC / CDSP	Potential Impact
Change Management Procedures	<ul style="list-style-type: none"> None
Contract Management Procedures	<ul style="list-style-type: none"> None
Credit Policy	<ul style="list-style-type: none"> None
Credit Rules	<ul style="list-style-type: none"> None
UK Link Manual	<ul style="list-style-type: none"> None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	<ul style="list-style-type: none"> None
Gas Transporter Licence	<ul style="list-style-type: none"> None

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none"> None
Operation of the Total System	<ul style="list-style-type: none"> To be developed by Workgroup
Industry fragmentation	<ul style="list-style-type: none"> None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none"> To be developed by Workgroup

3 Terms of Reference

Background

DM loads are generally large users that are expected to have a relatively flat and predictable demand profile. By contrast, some new DM loads may have demand driven profiles that are beyond the operator's immediate control, with potential for peaks in usage that are away from the 1 in 20 peak day demand. Compressed Natural Gas (CNG) filling stations provide a specific example of this type of load.

Although still relatively rare, a number of public-access CNG filling stations are already connected or under construction. They are used by Heavy Goods Vehicles (HGVs) that run on CNG rather than diesel, delivering much reduced emissions. The number of vehicles that may use a public access filling station, and the amount of gas they offtake, is not controlled by the filling station operator but is instead dependent on fleet usage patterns. There can, however, be heavy demand days due to specific circumstances.

For example, fleet operators may have procurement processes that involve delivery of a number of vehicles at the same time. This may mean, for example, that 100 new CNG powered HGVs are delivered at the same time. The whole fleet will be fuelled from (near) empty on the same day. This level of demand is highly unlikely to be experienced again from these vehicles – the probability of all needing to be refuelled from close to empty is indistinguishable from zero.

If the CNG filling station is Daily Metered, accommodating the potential level of demand on these occasional days means setting a very high SOQ – well above the typical amount of gas used. These high demand days are highly unlikely to be peak days because of the nature of the users – peak gas usage days are cold, and days with snow and ice on the road see significantly reduced HGV traffic (new trucks would not be delivered when roads are icy).

A second example of significantly increased demand at a CNG filling station is when issues arise at a separate filling station. When fleet operators invest in CNG powered HGVs, they expect the filling station to be available when required. As well as facilities to support refuelling of trucks, some CNG filling stations have bays that can fill CNG trailers. These trailers hold large quantities of gas that can be taken to a different location where the gas is discharged, proving a source of gas when pipeline gas is not available.

To provide a backup at public access filling stations, mobile refuelling facilities have been developed that can be supplied by a CNG trailer. If, as has indeed been the case in the weeks immediately prior to this proposal being drafted, there is an issue with the availability of pipeline gas, the use of CNG trailers from one CNG station at another effectively means that one DM meter is supplying two sites – If the supplying “Mother” station is much the same scale as the receiving “Daughter” station, daily gas usage at Mother station would be doubled. While such incidents may occur at the peak, this is unlikely to increase peak demand on a network because CNG demand from HGVs will be reduced through weather impacts.

With the potential to significantly increase demand for a short period as a backup to another site, transferring rather than increasing demand, a requirement to book SOQs that cover this demand at a DM site would lead to SOQs that do not reflect system demand at the system peak, creating inappropriate signals.

Topics for Discussion

- Understanding the objective
- Assessment of alternative means to achieve objective
- Development of Solution (including business rules if appropriate)
- Assessment of potential impacts of the Request
- Assessment of implementation costs of any solution identified during the Request
- Assessment of legal text.

Outputs

Produce a Workgroup Report for submission to the Modification Panel, containing the assessment and recommendations of the Workgroup including a draft modification where appropriate.

Composition of Workgroup

The Workgroup is open to any party that wishes to attend or participate.

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

Meeting Arrangements

Meetings will be administered by the Joint Office and conducted in accordance with the Code Administration Code of Practice (CACoP).

4 Modification(s)

No Modification has been raised as a result of this Workgroup.

The Workgroup met and held discussions on the following dates (with links to material presented and minutes):

- [Workgroup 0749R 27 May 2021](#)
- [Workgroup 0749R 29 March 2021](#)
- [Workgroup 0749R 22 February 2021](#)

Other Workgroup dates were made available and offered but due to external factors, discussions were deferred.

Three options for a potential solution were outlined as a result of the Workgroup meeting in March 2021. The options could be summarised as follows:

Option 1: Change to the Mandatory Class 1 threshold, (and for the purpose of the discussion it was suggested that this could be raised to 586 GWh per annum), with transitional arrangements for dealing with Class 1 Supply Points Supply Points with AQs currently below that value.

Option 2: Introduce a new hybrid class of Supply Point that retained Class 1 features for energy balancing but the capacity management rules would resemble those for Class 2 Supply Points.

Option 3: Introduce a new daily regime for capacity access which would operate a short-notice capacity arrangement for Class 1 Supply Points that would permit capacity excursions above SOQ bookings on a pre-agreed basis.

Table 1: Table used in informal discussions to assist with formulation of three options

Feature	DM (Class 1)	NDM (Class 4)
Annual Quantity (AQ)	Mandated above 58.6 GWh per annum but may be less	Any, but generally less than 58.6 GWh per annum
Hourly Flow Rate (SHQ)	Required at connection stage - not routinely monitored - should remain in ratio with SOQ - increases notifiable	Required at connection stage - not routinely monitored - no link to SOQ - increases notifiable
Daily Capacity (SOQ)	Requested (booked) and monitored	Derived from AQ - not monitored
SOQ Setting	Peak consumption 'high-water marked' until next capacity reduction window	Varies once, annually on AQ review
SOQ Monitoring	Monitored	Not monitored
Reading Frequency	Every 24 hrs, in synch with Gas Day (0500 to 0500)	Periodically
Breaches in Daily Capacity	Modest breaches of booked subject to auto-increase ("ratchet") and premium capacity charges: severe breaches could trigger safety protocols	No specific breach rules although severe breaches could trigger safety protocols
Capacity Charges	Function of booked, (or auto increased), SOQ value	Function of SOQ which is function AQ & EUC
Nominated Energy	Input by shipper	Determined by algorithm
Allocated Energy	Offtake quantity measured in synch with Gas Day	Determined by algorithm
Reconciliation	In the main - no reconciliation except for errors	Reconciliation based on periodic reads
UIG Allocation	Below average allocation	Above average allocation

An informal Workshop was held offline on 14 May 2021 where the three options were considered.

At Workgroup on 27 May 2021, as discussion progressed, it became clear that Options 1 and 2 would need to be merged to provide a viable service as aspects of both options would be needed to deliver a functional arrangement, although it did appear that a combined proposal would be moving in the direction desired by the proposer. Option 3 sites excursions, on the day approvals could be quite resource intensive and this could be operationally problematic, but it was noted that the impact would be dependent on the number of requests submitted to the transporter.

The intention was that the output from the Workshop could be taken forward into the development stage of the Review Group. However, no further development has occurred.

Remaining topics:

- Capacity swapping arrangements between sites
- Operational flexibility via NExAs
- DM arrangements as they stand with particular reference to the 58.6 GWh threshold
- Charging implications
- Balancing & UIG Implications
- Ensuring any proposals are not unduly discriminatory.

Unfortunately due to curtailed discussions as a result of a number of external factors, the above topics were not concluded. A request was made at the September UNC Modification Panel meeting for a 2-month extension to allow Workgroup to meet further but Panel did not grant the request. Panel Members did not feel that any progress had been made since the last Workgroup meeting in May and an extension was unlikely to significantly affect the situation. An Action was placed on the Joint Office at that meeting to offer for the Proposer to attend the October Panel when this Workgroup Report will be presented if he wished to request a further extension to Panel could discuss the matter with him in person.

Conclusions

Accordingly, Workgroup considered the progress of the Review Group on 23 September 2021 and concluded that no further work should be done other than to agree the wording of this report. If any Party wishes to pursue the ideas recorded, they were free to do so. Workgroup Participants did not wish to pursue the ideas outlined in this report and concluded that the Review Workgroup should now be closed.

5 Recommendation

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that the Workgroup should be closed.