









UNC Final Modification Report		At what stage is this document in the process?
<div>UNC 0852:</div> <div>Shipper notification in relation to option exercise for Customer Demand Side Response</div>		<div><div>01</div>Modification</div> <div><div>02</div>Workgroup Report</div> <div><div>03</div>Draft Modification Report</div> <div><div>04</div>Final Modification Report</div>
<div>Purpose of Modification:</div> <div>To require National Gas to notify the relevant Shipper in the event that a Customer Demand Side Response option is exercised.</div>		
<div>Next Steps:</div> <div>The Panel recommends implementation.</div>		
<div>Impacted Parties:</div> <div>High: Shippers and Suppliers and National Gas Transmission</div> <div>Low:</div> <div>None:</div>		
<div>Impacted Codes:</div>		

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Timetable		 0121 288 2107
Modification timetable:		Proposer: Steve Mulinganie SEFE Energy
Pre-Modification discussion	06 July 2023	 enquiries@gasgovernance.co.uk
Date Modification Raised	07 July 2023	 steve.mulinganie@sefe-energy.com
New Modification to be considered by Modification Panel	17 August 2023	 07990 972568
First Workgroup Meeting	07 September 2023	Transporter: National Gas Transmission
Workgroup Report to be presented to Modification Panel	18 January 2024	 Joshua.Bates@nationalgas.com
Draft Modification Report issued for Consultation	18 January 2024	 07790 941158
Consultation Close-out for representations	22 February 2024	Systems Provider: Xoserve
Final Modification Report available for Modification Panel	26 February 2024	 UKLink@xoserve.com
Modification Panel recommendation	21 March 2024	
Final Modification Report issued to Ofgem	22 March 2024	

1 Summary

What

1. As part of the development of [Modification 0844: Enabling Direct Contractual Arrangements with Consumers for Demand Side Response](#), discussions took place in relation to a request for Shippers to be notified when direct Customer Demand Side Response options were exercised.
2. It is expected that the number of Demand Side Response contracts will remain low with the Central Data Service Provider Rough Order of Magnitude assessment based on 30 customers.

This ROM is based on a maximum of 30 consumers each month. If the number of requests exceeds this value then an assessment will be carried out to review the additional efforts.

Why

3. Both the Shipper and Customer representatives in the Modification 0844 Workgroup felt that requiring National Gas to contact Shippers when Consumer Direct Demand Side Response was triggered would be prudent.
4. It was noted that the resourcing more broadly in the event of an incident was agile and thus suitable resources could be brought in to meet the relevant requirements.
5. National Gas did affirm in the legal text that they will notify the relevant DN Operator (text below from TPD Section D)

8.7.6 Where National Gas Transmission exercises a DSR Option, if the Supply Meter Point is a LDZ Supply Meter Point it will notify the relevant DN Operator of the exercise.

6. National Grid were, despite requests to, unwilling to provide a similar service to Shippers

7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will not inform the Registered User of the Supply Meter Point of the exercise;

How

7. We propose to introduce a requirement on National Gas to notify the relevant Shipper (suggested text is below)

7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will inform the Registered User of the Supply Meter Point of the exercise.

2 Governance

Authority Direction

Ofgem rejected the Self-Governance statement on 14 December 2023. Please refer to the published letter at: <https://www.gasgovernance.co.uk/0852>

Next Steps

This Modification should be considered a material change and not subject to Self-Governance.

Workgroup's Assessment

An initial Representation submitted by National Gas Transmission argued there is potential for the number of consumers holding DSR Options to grow and therefore for a corresponding increase in the number of notifications that NGT would have to provide to shippers if Mod 0852 were to be implemented. This could compromise NGT's ability to manage a national gas supply shortage effectively and efficiently, detrimentally impacting GB gas security. NGT therefore consider that this Modification could have a material effect and thus should be re-classified as Authority Direction.

An Ofgem representative noted that under normal operation the effectiveness of the control rooms should be maintained and Ofgem will consider during the Workgroup development stage whether this Modification meets the Self-Governance criteria, and in particular how the Proposal might affect control room operations if there is a significant uptake of DSR.

Workgroup Participants noted that Ofgem can 'call-in' a Self-Governance Modification for Authority Direction

The Proposer countered that the Proposal does not specify a mechanism for communication whilst much of the discussion appeared to lean on an assumption that the notification would be made by telephone. Thus, the process need not be burdensome. If the communication mechanism is not burdensome then the obligation would not be material.

In addition, the Proposer reiterated that the Proposal is made in the context of the current situation where the numbers are relatively small and that NGT had not provided evidence in the Workgroup that this would introduce a material burden.

The NGT representative countered that if the market grows in the way that all parties hope then the numbers could become significant and therefore the obligation to notify would become burdensome.

At the January 2024 meeting Workgroup Participants noted that the Authority issued a letter on 14 December 2023 directing that this Modification should be subject to Authority Direction.

Some Workgroup Participants pointed out that no evidence has been presented by NGT that 12 contacts as would be needed under current conditions present a material risk to the control room and indeed that if 12 contacts is a material risk under current operations then there are broader concerns about the control room.

The NGT representative pointed to aspirations to grow the DSR market and that the control room is not under-resourced but that if DSR is being called then the control room must focus on their core task and not on an administrative task.

3 Why Change?

1. As part of the development of Modification 0844: Enabling Direct Contractual Arrangements with Consumers for Demand Side Response discussions took place in relation to a request for Shippers to be notified when Customer Demand Side Response options were exercised.
2. It is expected that the number of Demand Side Response contracts will remain low with the Central Data Service Provider Rough Order of Magnitude assessment based on 30 customers.

This ROM is based on a maximum of 30 consumers each month. If the number of requests exceeds this value then an assessment will be carried out to review the additional efforts.

3. Both Shipper and Customer representatives in the Modification 0844 Workgroup felt that requiring National Gas to contact Shippers when Consumer Direct Demand Side Response was triggered would be beneficial.

4. It was noted that the resourcing more broadly in the event of an incident was agile and thus suitable resources could be brought in to meet the relevant requirements.
5. National Gas did affirm in the legal text that they will notify the relevant DN Operator (text below from TPD Section D)
 - 8.7.6 Where National Gas Transmission exercises a DSR Option, if the Supply Meter Point is a LDZ Supply Meter Point it **will notify** the relevant DN Operator of the exercise.
6. National Grid were, despite requests to, unwilling to provide a similar service to Shippers
 - 7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will not inform the Registered User of the Supply Meter Point of the exercise;
7. We propose to introduce a requirement on National Gas to notify the relevant Shipper (suggested text is below)
 - 7.9.6 *Where National Gas Transmission exercises a Consumer DSR Option it **will** inform the Registered User of the Supply Meter Point of the exercise.*

4 Code-Specific Matters

Reference Documents

TRANSPORTATION PRINCIPAL DOCUMENT SECTION D – OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

Knowledge/Skills

An awareness of the current DSR rules in UNC and where they feature in the emergency arrangements would be helpful. In the UNC, these are contained in TPD section D5. Awareness of operations and contractual relationships between Shippers and Consumers.

5 Solution

The Business Rules (BR) are set out below:

BR1. Introduce a requirement on National Gas to notify the relevant Shipper (Registered User of the Supply Meter Point) when exercising a Consumer DSR Option.

Note: Suggested legal text:

TPD Section D

*7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it **will** inform the Registered User of the Supply Meter Point of the exercise.*

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

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

The outcome should be an additional level of notification that was requested by both the Shipper and Customer representatives at Workgroup 0844 - Enabling Direct Contractual Arrangements with Consumers for Demand Side Response.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability	None
Lower bills than would otherwise be the case	None
Reduced environmental damage	None
Improved quality of service	None
Benefits for society as a whole	None

Cross-Code Impacts

None identified.

EU Code Impacts

None

Central Systems Impacts

None identified.

Rough Order of Magnitude (ROM) Assessment

Insert text here

Workgroup discussion of other system impacts

Workgroup discussions centred around this being a telephone call to between 1 and 12 customers and thus not requiring any automated system. For greater numbers an automated approach might be more suitable but the Proposal is agnostic to the technical solution that might be required in such circumstances.

Performance Assurance Considerations

No implications identified.

Initial Representations

An initial representation was submitted by National Gas Transmission and considered at the October Workgroup meeting. Workgroup Participants were reminded that the issue of whether NGT should be obliged to notify the shipper upon DSR exercise directly with a consumer was a point on which NGT and Shippers were unable to

agree during the development of Modification 0844 'Enabling Direct Contractual Arrangements with Consumers for Demand Side Response'. This point was characterised as a 'Marmite' issue.

On a point of principle NGT argued that it does not wish to step any further into the shipper role as Modification 0852 proposes. NGT believes if DSR is called the consumer should inform the Shipper as part of the 'business as usual' practice. Exercise of a DSR option is one of many factors that could cause a consumer's planned rate of offtake on a given day to change from what was previously expected, for which NGT assume there must be communication arrangements in place already between site and Shipper to enable the Shipper to submit accurate transportation nominations and manage its scheduling and imbalance risk.

On a practical point NGT argued that as DSR could be called 24/7, notification by NGT to the Shipper would need to be a control room activity. NGT expressed concern that an additional administrative requirement to phone and/or email the registered Shipper(s) at a time of high intensity control room activity would detract from the GNCC's ability to discharge its primary role in that circumstance of managing the supply shortage and maintaining efficient system operation.

Some Workgroup Participants noted these points but could not align with the NGT position.

Panel Questions

- **Identify potential operational impacts on control rooms should communications be required for Shippers at times when the operators are attempting to avoid an incident escalating.**

A response to this question formed the substance of the initial representation submitted by NGT (see above and appended).

The NGT representative argued that instant access to an administration support function may be more complicated than initially perceived as resources are not always freely available.

A Workgroup Participant challenged the NGT position and argued that early indications are that there would be relatively few sites taking up the DSR service and therefore the potential burden upon the control room should not be great. The NGT response is that the number of DSR participants may well increase and that is the intended purpose of the changes made under Modification 0844 so the control room operations might be compromised in future.

Workgroup Participants discussed the difference between GDN and Shipper notifications noting that NGT is committed to notify GDNs if DSR is exercised. Workgroup Participants acknowledged that there are existing arrangements in place for notifications between control rooms because GDNs do not have a contractual relationship with the site operator or shipper that would provide the necessary information for GDNs to properly manage operations in their networks if load is shed under DSR, e.g. it was clarified that the GDNs need to know which sites have ceased offtake if the situation progresses into a gas demand emergency and they are seeking to minimise offtakes from the NTS.

Workgroup Participants debated whether the NGT control room may be able to call upon additional administrative staff to perform the Shipper notifications by a process that depends on manual intervention e.g. by telephone or e-mails (if this Proposal is approved). A Workgroup Participant suggested that NGT could investigate the use of a systemised solution and that other forms of communication could be utilised. The NGT representative noted that development of a system, for a process that may only be called very rarely, would come at a cost and such investment might be inefficient.

The Proposer noted that the DSR mechanism has a cost of c £30million as an 'insurance policy' and its implementation was based on a judgement that it is efficient. A modest additional investment in a communication tool to support the product would also be efficient.

Workgroup Participants could not reach unanimous agreement on the materiality of this issue.

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.	None
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.	None
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.	Positive
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

d) The inclusion of notification to Shippers in the event that Consumers direct Demand Side Response is triggered will provide an additional level of security for Shippers and Consumers. This is particularly relevant as direct contracting between National Gas and Consumers is atypical.

Workgroup Assessment of Relevant Objectives

A Workgroup Participant noted that the Proposer considers Mod 0852 to be positive for (d) securing effective competition, yet the rationale is concerned with additional security for shippers rather than competition benefits.

A Workgroup Participant argued that this Proposal is neutral in respect of RO d)

8 Implementation

ASAP - Under Self Governance arrangements this could be implemented 15 days after a decision.

Workgroup Participants noted the debate on the Governance route that this Proposal may follow and the consequential effect this may have on implementation timescales.

9 Legal Text

Text Commentary

Shipper notification in relation to option exercise for Customer Demand Side Response

LEGAL TEXT - EXPLANATORY TABLE

Reference	Explanation
TRANSPORTATION PRINCIPAL DOCUMENT	-
SECTION D – OPERATIONAL BALANCING AND TRADING ARRANGEMENTS	-
Amended paragraph 7.9.6	Delete word 'not' so that the clause is amended to introduce an obligation for National Gas Transmission to inform the Registered User of the Supply Meter Point of the exercise.

Text

TPD Section D

7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will inform the Registered User of the Supply Meter Point of the exercise.

Workgroup Assessment

The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

10 Consultation

Representations were invited from interested parties on 18 January 2024. All representations are encompassed within the Appended Representations section, including any initial representations.

The following table provides a high-level summary of the representations. Of the 6 representations received 5 supported implementation, and 1 was not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives
ENGIE	Support	d) positive
E.ON	Support	d) positive
National Gas Transmission	Oppose	a) negative d) (i) negative
SEFE Energy	Support	d) positive
SSE Energy Supply Limited	Support	d) positive

Wales & West Utilities	Support	d) positive
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Please note that late submitted representations may not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

Discussion

The Panel Chair summarised that Modification 0852 would require National Gas Transmission to notify the relevant Shipper in the event that a Customer Demand Side Response option is exercised.

Panel members noted that one initial representation had been submitted by National Gas Transmission (NGT) and assessed by the Workgroup. Panel members considered the representation and agreed that the Workgroup had adequately considered the points noting that some Workgroup Participants had acknowledged the points made but had not agreed with NGT.

Panel Members reviewed the initial Panel Question raised and agreed this had been assessed by the Workgroup and had formed the substance of the initial representation by National Gas Transmission.

Panel Members noted that the Authority has rejected the Self-governance statement and noted the content of the letter sent on 14 December 2023 (available here: <https://www.gasgovernance.co.uk/0852>)

Some Panel Members agreed that the decision by the Authority to reject Self-Governance status would have been better received if supported by evidence.

Some Panel Members noted that the Authority is not required to give this information.

Panel Members noted that National Gas Transmission had provided a further assessment of the impact on the control room operation in its representation to the consultation.

National Gas Transmission, when asked by Panel members, confirmed that their procedures would need to be updated as a result of this Modification.

Some Panel Members pointed to the need for consistency in determination of governance status and highlighted that if this Modification is deemed to have a materiality that exceeds the criteria for Self Governance, because it would increase the workload for the control room, then they cannot see how Modification 0866S - Amendments to Demand Side Response (DSR) Arrangements is considered Self Governance when it expands the scope of Consumer DSR to Class 2 Customers. If utilised this would of course increase the number of notifications required to be made to Consumers and Transporters which if the control room operation is so resource constrained must have a material impact.

A Panel Member confirmed that they understood the reasoning to not be related to the quantity of instances but more about principle of whose responsibility it is to tell the Shipper.

Panel Members considered the representations submitted during the Consultation noting that of the 6 representations received, 5 supported implementation and 1 was not in support.

Some Panel Members agreed with respondents and the Proposer that this Modification would introduce an additional communication between National Gas Transmission and Shippers and this would reduce the risk of DSR exercise for Shippers because they would be prompted to adjust their nominations accordingly and to understand the activities of the customer. A Panel Member noted that the Shipper representations all pointed to

the exercise of DSR as likely to be an unusual event and thus measures to reduce the Shipper risk would be appropriate. Furthermore, the contractual chain of communications for the Consumer may be via a Supplier that may not have the same 24hour/7day coverage and this may delay the timely delivery of information to the Shipper. The effect of the relationship between the Shipper and Supplier must be noted in relation to communications around this atypical event.

Panel Members noted that currently there are only a very small number of customers who might be involved in this exercising of a DSR option. However, in future greater volumes may be involved. The reason for informing the Shipper is to enable the commercial reality to keep up with the physical reality (physical increase in pressure). If greater volumes become materialise this could become more important, with potentially wider impacts on the functioning of the market.

Some Panel Members agreed with the point submitted in consultation response by Wales and West Utilities (WWU) that if the argument against providing a new notification is that under current business-as-usual (BAU) conditions no such notification is provided, this may in fact undermine the point being made by National Gas Transmission relating to resource constraints. The point made by WWU is that under BAU conditions National Gas Transmission should be adequately resourced and already have an obligation to notify DNOs upon exercise of DSR. If the argument is that exercise of DSR is not BAU activity, then NGT would be doing something outside of BAU and should clearly notify Shippers that they are requiring one of the Shipper's customers to do something atypical and outside the realms of normal business. Either way NGT should make these communications and be adequately resourced to do so.

A Panel Member pointed to the additional information provided in NGT's consultation response illustrating the workload in the control room and how a gas supply shortage situation is managed. The Panel Member highlighted that under such conditions the control room staff are operating under duress because there is a material increase in workload required to deliver against the BAU operations. In such conditions, any additional obligations may compromise their ability to maintain their primary objective to maintain pressure in the NTS and protect consumers.

CACoP Principle 15 – Consumer Impacts and Net Zero discussion

Some Panel Members agreed that this Modification is positive for consumers (likely to be more non-domestic consumers) as it supports the development of Demand Side Response by reducing the commercial risk for Shippers and Consumers and thereby may make participation more attractive. The development of DSR may in turn be positive for Consumers because it should reduce the risk of a gas shortage escalating into a gas supply emergency where the operational and commercial consequences may be worse than under a managed demand reduction.

Better Shipper information should result in better Shipper positions which could be deemed a very marginally positive impact on the consumer bill.

A Panel Member believed that this Modification detracts from the primary function in these circumstances of effectively preventing/managing a gas shortage situation.

Panel Members noted the Consumer Benefits table on page 6 showed no impacts.

Panel Members were unable to determine any impact on Net Zero relating to this Modification.

Consideration of the Relevant Objectives

Panel Members considered Relevant Objective *d) Securing of effective competition between Shippers and/or Suppliers*, and some Panel Members agreed that implementation would have a positive impact because notification to Shippers in the event that Consumer-direct Demand Side Response is triggered will provide an additional level of security for Shippers, Suppliers and Consumers. This is particularly relevant as direct

contracting between National Gas and Consumers is atypical.

A Panel Member did not agree that this Modification was positive for Relevant Objective d).

A Panel Member argued that if the market for DSR grows, there is a risk that timely notifications to the relevant Shippers cannot be provided or notification is made to some but not all. This would result in a risk to competition and may result in unequal treatment of Shippers with regards to managing their imbalance risk and therefore, implementation may negatively impact on Relevant Objective d).

A Panel Member considered Relevant Objective a) *Efficient and economic operation of the pipeline system* and believed the Modification has a negative impact because it would result in NGT having to complete an administrative task for which a process exists via the existing contractual relationships which would take them away from their primary duty of managing the network.

Some Panel Members believed that the Modification has a positive impact on Relevant Objective a) because it enables Shippers to make more accurate volume notifications.

Implementation

Panel Members considered the implementation timeline for this Modification and noted that some responses supported implementation as soon as possible after a positive decision to implement. A Panel Member pointed out that no estimate had been provided for a timescale to implement and there had been no request for a Rough Order of Magnitude (ROM) because no **central** system solution had been proposed.

Some Panel Members supported implementation as soon as practicable after a decision on the basis that the obligation could be met without system development, and that NGT in its own time could determine whether a system might provide a better mechanism for delivery of notifications.

A Panel Member pointed out that a consumer can change its Supplier and/or Shipper subject to the appropriate contractual arrangements being in place. In a supply shortage situation, which could occur outside of normal business hours, it would not be feasible for Control Room staff to check with the CDSP whether the Shipper at the time the option was agreed is still incumbent before issuing the notifications. To avoid this, it may be possible for NGT to establish a new service line with the CDSP to inform GNCC on a daily basis of who the registered shipper is for each consumer that holds a DSR option but NGT does not believe that this would be an efficient use of the CDSP's resources.

Should the Modification be implemented, Transporters will confirm the exact implementation date for this Modification.

Determinations

Panel Members voted unanimously that no new issues relating to the Modification were identified as part of the consultation.

Panel Members voted unanimously that there are no Cross Code Changes for this Modification.

Panel Members voted with 13 votes in favour (out of a possible 14), to recommend implementation of this Modification.

12 Recommendations

Panel Recommendation

Panel Members recommended that this Modification should be implemented.

13 Appended Representations

Initial Representation - National Gas Transmission

Representation - ENGIE

Representation - E.ON

Representation - National Gas Transmission

Representation - SEFE Energy Ltd

Representation - SSE Energy Supply Limited

Representation - Wales & West Utilities

Initial Representation - UNC 0852

Shipper Notification in Relation to Option Exercise for Customer Demand Side Response

Representative:	Phil Hobbins
Organisation:	NGT
Date of Representation:	03 October 2023
Relevant Objective(s):	Negative for relevant objectives a) Efficient and economic operation of the pipeline system (d)(i) securing of effective competition between relevant shippers
Relevant Charging Methodology Objective(s):	Not Applicable

Reason for opposition:

The issue of whether NGT should be obliged to notify the shipper upon DSR exercise directly with a consumer was a point on which NGT and shippers were unable to agree during the development of Modification 0844 'Enabling Direct Contractual Arrangements with Consumers for Demand Side Response'. Modification 0852 has been raised by SEFE Energy to place this obligation onto NGT. The purpose of this initial representation is to set out our current thinking on this issue ahead of the debate in the 0852 Workgroup.

In summary, we agree that the shipper needs to be informed if a Consumer DSR Option is exercised but believe that the relevant consumer should have the obligation to do this, as part of contractual arrangements between shipper/supplier and site that we would expect to already be in place. Our rationale is based on both principle and practical considerations.

Principle

There is an established contractual and information flow chain in the gas industry of transporter to shipper to supplier to consumer and vice-versa. Modification 0844 was raised by NGT to enable direct contracting with consumers for DSR options which circumvents this specifically for DSR. The claim is therefore that because NGT now has this relationship which the shipper is not party to, it should also have an obligation to inform its direct customer (the registered shipper) if that option is exercised, i.e. DSR is called in respect of that site.

It is important to appreciate the context in which NGT raised Mod 0844. It was done in response to feedback from some consumers that this was their preferred means of contracting for DSR rather than going through their shipper, and from some shippers who argued in consultation responses to Modification 0822 that the risks of arranging DSR would not be outweighed by the reward, the implication being that DSR is an unattractive product for shippers to market to consumers.

NGT's preference would have been to maintain the established contractual chain. However, the feedback detailed above, together with NGT's desire to grow the DSR market (as a hitherto untapped balancing tool that could be deployed at times of system stress to mitigate the risk of a Network Gas Supply Emergency) led us to challenge the established convention and deliver the ability for consumers to deal directly with us for DSR.

Having therefore already agreed to take a role outside convention in this way, we do not believe that we should step any further into the shipper role as Modification 0852 proposes. Rather, if DSR is called, we consider that the consumer should inform the shipper as part of what we expect should be 'business as usual' practice. Exercise of a DSR option is one of many factors that could cause a consumer's planned rate of offtake on a given day to change from what was previously expected, for which we assume there must be communication arrangements in place already between site and shipper to enable the shipper to submit accurate transportation nominations and manage its scheduling and imbalance risk.

We did propose in Modification 0844 to notify the relevant GDN of the exercise of a DSR option; this reinforced already established inter-transporter arrangements and is appropriate given that the consumer has no direct relationship with its GDN insofar as DSR is concerned.

Practical

We also have practical concerns in relation to Mod 0852.

Since DSR could be called 24/7, notification by NGT to the shipper would need to be a control room activity. We are concerned that an additional administrative requirement to phone and/or email the registered shipper(s) at a time of high intensity control room activity would detract from the GNCC's ability to discharge its primary role in that circumstance of managing the supply shortage and maintaining efficient system operation.

At present, the number of consumers holding DSR options is relatively small, but this may not be the case in the future. If timely notifications to shippers could not be provided, some shippers might receive notification from NGT and not others, resulting in unequal treatment and a group of shippers having a commercial advantage in managing their scheduling and imbalance risk. We therefore consider that the Modification is potentially detrimental to relevant objective (d)(i), "securing of effective competition between relevant shippers".

Furthermore, a consumer can change its shipper at any time. In a supply shortage situation, which could occur outside of normal business hours, it would not be feasible for GNCC staff to check with the CDSP whether the shipper at the time the option was agreed is still the incumbent before issuing the notifications, which could be to the further detriment of relevant objective (d)(i). To avoid this, it may be possible for NGT to establish a new service line with the CDSP to inform GNCC on a daily basis of who the registered shipper

is for each consumer that holds a DSR option but we do not believe that this would be an efficient use of the CDSP's resources.

In relation to Relevant Objectives, we note that the Proposer considers Mod 0852 to be positive for (d) securing effective competition, yet the rationale is concerned with additional security for shippers rather than competition benefits.

Self-Governance Statement: *Please provide your views on the self-governance statement or reasons why Authority Direction should apply.*

There is potential for the number of consumers holding DSR Options to grow and therefore for a corresponding increase in the number of notifications that NGT would have to provide to shippers if Mod 0852 were to be implemented. This could compromise NGT's ability to manage a national gas supply shortage effectively and efficiently, detrimentally impacting GB gas security. We therefore consider that this Modification could have a material effect and thus should be re-classified as Authority Direction.

Impacts and Costs: *Please provide a view on the impacts and costs you would face.*

To follow in our consultation response.

Additional information for consideration by Workgroup: *Please provide any additional information for Workgroup consideration.*

We may wish to include further information in our consultation response.

Analysis: *Please provide any additional analysis for Workgroup consideration.*

We may wish to include further information in our consultation response.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We will comment in our consultation response.

Representation – Draft Modification Report UNC 0852

Shipper notification in relation to option exercise for Customer Demand Side Response

Responses invited by: 5pm on 22 February 2024

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Kirsty Dudley
Organisation:	E.ON
Date of Representation:	16/02/2024
Support or oppose implementation?	Support
Relevant Objective:	d) Positive
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise the key reason(s) for your support or opposition.

We are supportive of the introduction of a notification as it addresses the gap we highlighted in our response to modification 0844.

The introduction of a notification is a benefit to the process as it enables Shippers to react quicker to the information received, rather than it coming from the end consumer (which may not be timely). Where a Shipper works on behalf of another Supplier then there are extra communication steps which could mean that the updates are delayed. The delay in update timings may not impact end consumer billing but it may miss the timings required to adjust nominations to grid or to any counterparties involved.

The DSR process needs to be built on a solid foundation, which includes awareness of participation for parties who have processes they need to follow to support the overall DSR delivery. Many parties including ourselves, have 24/7 supporting FTE who can act on these notifications far faster than those received via convoluted updates mechanisms.

Impacts and Costs: Please provide a view on the impacts and costs you would face.

Low administrative costs to process the notifications received, we just need to ensure they are sent to the key contacts to avoid delays in processing.

Implementation: What lead-time do you wish to see prior to implementation and why?

Immediately post implementation (subject to provision of our best contact information).

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comments.

Ofgem Questions: *Ofgem and Panel have requested that the following questions be addressed.*

Q1: If appropriate for your business, please explain what arrangements are already in place for large consumers to report any emerging issues (such as unplanned shutdowns) to shippers. Following this, please explain what barriers are in place to prevent similar arrangements being used for Demand Side Response communications.

A1: Our organisation would be notified of events such as shutdowns, mainly from the end user, which we don't believe to be the most robust of communication approaches. This modification is just targeting the DSR process, and we are not requesting for it to be any broader, however, the clunky nature of the current process is why we are asking for something more robust to be introduced.

Where Shippers work with multiple Suppliers the process to be updated via the end consumer is not a direct process, and even where it is a Shipper also completing the role of Supplier, the end consumer may be contracted to notify us, but it doesn't mean in practice that it actually happens in a timely fashion.

There are contractual remedies and recourse, however for the number of customers which are part of this scope, it feels an unnecessary administration reliance which could be easily bridged with a suitable notification being issued to a dedicated Shipper contact.

Q2: The panel have also asked you to please provide your views and reasons on the appropriate governance for this Modification - Self-governance or Authority Direction.

A2: As this is the introduction of a notification, we do not deem this as a material process change and would be happy for it to progress via Self-Governance routes, however, should other parties believe this is a material impact to their processes we wouldn't object to it going to the Authority for decision.

Q3: Please provide additional evidence in respect of the materiality of this Modification, i.e. Shippers, Suppliers and Customers as to why National Gas Transmission should be required to provide this service over and above normal BAU activities that apply to a Customer's normal contractual interaction with its Supplier and/or Shipper, and from National Gas as to why providing this service may have a material impact on the operations of the Control Room.

A3: As outlined in our 0844 response the omission of this process step leaves the Shipper blind to any arrangements made directly with the end consumer (especially if the Shipper works on behalf of other Suppliers), this can impact the purchasing position and could lead to unexpected scheduling charges for the consumer. Although relevant contractual provisions have been put in place the introduction of a notification ensures that the agreements are communicated to ALL interested parties.

We believe due to the number of sites which are anticipated to be part of the scope it is a manageable exercise and can be added into the process with limited extra effort e.g.

sending an email to the Shipper SPoC (as a default) or designated contact.

This could even evolve to be an automated notification should the originating party wish to do so.

Error or Omissions: Are there any errors or omissions in this Modification Report that you think should be taken into account? *Please include details of any impacts/costs to your organisation that are directly related to this.*

No comments.

Additional analysis: *Please provide below any analysis or information to support your representation.*

No comments.

Representation – Draft Modification Report UNC 0852

Shipper notification in relation to option exercise for Customer Demand Side Response

Responses invited by: **5pm on 22 February 2024**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Colin Paine
Organisation:	ENGIE
Date of Representation:	22/02/2024
Support or oppose implementation?	Support
Relevant Objective:	d) Positive
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: *Please summarise the key reason(s) for your support or opposition.*

The new DSR arrangements implemented under UNC 844 and UNC 845 created a situation where end consumers in Product Class 1 could exercise DSR through direct contracts with National Grid, with no requirement for National Grid to notify the relevant Shipper of the DSR event. Subsequent modifications (UNC 866 and UNC 867) have been proposed which will extend the ability to strike direct DSR contracts with National Grid to Product Class 2 customers as well and increase the variety of exercise options available, making the product more attractive and potentially more utilised.

The increase in the number of customers potentially contracting for DSR directly with National Grid creates a greater risk that Shippers may not be made aware in a timely fashion of DSR exercises by end consumers in these contractual arrangements, leading to errors in forecasting and nomination of gas volumes.

Impacts and Costs: *Please provide a view on the impacts and costs you would face.*

We believe the costs of issuing and processing the notifications would be low, as the process should be in line with that for notifications received from National Grid for direct Shipper DSR contracts.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We do not see the need for a significant lead time after approval of the modification.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comments.

Ofgem Questions: *Ofgem and Panel have requested that the following questions be addressed.*

Q1: If appropriate for your business, please explain what arrangements are already in place for large consumers to report any emerging issues (such as unplanned shutdowns) to shippers. Following this, please explain what barriers are in place to prevent similar arrangements being used for Demand Side Response communications.

Our largest customers will inform us of shutdowns, but in the likely event that direct consumer DSR contracts extend down the market and the service becomes more popular the risk of notifications being absent or late will increase. In any case, we believe that the requirement for a National Grid notification will provide a more robust solution by providing an additional back-up in case there is a failure of the consumer communication.

Q2: The panel have also asked you to please provide your views and reasons on the appropriate governance for this Modification - Self-governance or Authority Direction.

We believe this Modification will require Authority Direction.

Q3: Please provide additional evidence in respect of the materiality of this Modification, i.e. Shippers, Suppliers and Customers as to why National Gas Transmission should be required to provide this service over and above normal BAU activities that apply to a Customer's normal contractual interaction with its Supplier and/or Shipper, and from National Gas as to why providing this service may have a material impact on the operations of the Control Room.

We do not believe this modification will have a material impact on parties as the notification process can be simple and based upon existing models, and we believe there will be a material benefit through avoidance of inaccurate nominations.

Error or Omissions: *Are there any errors or omissions in this Modification Report that you think should be taken into account? Please include details of any impacts/costs to your organisation that are directly related to this.*

No.

Additional analysis: *Please provide below any analysis or information to support your representation.*

No comment.

Representation – Draft Modification Report UNC 0852

Shipper notification in relation to option exercise for Customer Demand Side Response

Responses invited by: **5pm on 22 February 2024**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Matt Newman
Organisation:	National Gas Transmission (NGT)
Date of Representation:	22 nd February 2024
Support or oppose implementation?	Oppose
Relevant Objective:	<p>a) Efficient and economic operation of the pipeline system - Negative</p> <p>d) (i) securing of effective competition between relevant shippers - Negative</p>
Relevant Charging Methodology Objective:	Not Applicable

Reason for opposition:

NGT oppose implementation of this Modification which seeks to place an obligation on NGT to notify Shippers in the event of DSR being exercised directly with a Consumer which is an alteration to the business rules and obligations introduced as part of UNC Modification Proposal [0844](#).

NGT's opposition of this Modification covers both the principle and practical aspects of the proposed obligation. Our primary opposition is on the principle but also there are also practical considerations which have potential to impact GB security of supply:

Principle

There is an established contractual and information flow chain in the gas industry of transporter to shipper to supplier to consumer and vice-versa. Modification 0844 was raised by NGT to enable direct contracting with consumers for DSR options which circumvents this specifically for the purpose of entering DSR contracts. Modification proposal 0852 therefore proposes that because NGT now has this relationship which the shipper is not party to, it should also have an obligation to inform its direct customer (the registered shipper) if that option is exercised, i.e. DSR is called in respect of that site.

It is important to appreciate the context in which NGT raised Modification Proposal 0844.

The Modification Proposal was raised in response to feedback from some consumers that direct contracting was their preferred means of contracting for DSR rather than going through their shipper. This was supported by some shippers who argued in consultation responses to Modification Proposal 0822 that the risks of arranging DSR would not be outweighed by the reward, the implication being that DSR is an unattractive product for shippers to market to consumers.

NGT's preference would ordinarily have been to maintain the established contractual chain. However, the feedback detailed above, together with NGT's desire to grow the DSR market (as a hitherto untapped balancing tool that could be deployed at times of system stress to mitigate the risk of a Network Gas Supply Emergency) led us to challenge the established convention and ultimately deliver the ability for consumers to deal directly with us for DSR.

Having therefore already agreed to take a role outside convention in this way, we do not believe it is appropriate to step any further into the shipper role as Modification 0852 proposes, as this weakens existing and established communications between the consumer and shipper on matters relating to gas flow and / or disruptions to such gas flow (for example, due to unplanned issues). Rather, if DSR is called, we consider that the consumer should inform the shipper as part of what we expect should be 'business as usual' (BAU) practice. Exercise of a DSR option is one of many factors that could cause a consumer's planned rate of offtake on a given day to change from what was previously expected, for which we assume there are existing communication arrangements in place between site and shipper to enable the shipper to submit accurate transportation nominations and manage its scheduling and imbalance risk.

We did propose in Modification 0844 to notify the relevant GDN of the exercise of a DSR option due to the physical action required by the GDNs; this reinforced already established inter-transporter arrangements and is appropriate given that the consumer has no direct relationship with its GDN insofar as DSR is concerned.

Practical

During the various workgroup discussions, we have raised our concerns with regards to the practical elements to Modification Proposal 0852.

DSR can be exercised on a 24/7 basis and as a result notification from NGT to Shippers would need to be a Control Room activity. We have raised concerns surrounding the potential impact on the Control Room's ability to effectively manage a supply shortage and discharge their primary role of running and maintaining efficient network operation, if they were to take on the administrative task of notifying the Shippers in the event of Consumers being exercised.

NGT does recognise that the outcome from the 2023 DSR Invitation to Offer process where we accepted 9 bids across different Shippers is currently likely to be manageable. However, we are actively looking to grow the DSR market and have two new UNC Modification Proposals in flight which are [0866S](#) and [0867](#) that are designed to enhance the current regime, and increase the available volumes and number of Consumers who participate in DSR. Therefore, NGT considers it to be reasonable to factor in the potential future growth of the market and the impacts of taking on the proposed obligation for notifying Shippers of DSR being exercised.

If the market does grow, there is a risk that timely notifications to the relevant Shippers cannot be provided or notification is made to some but not all. This would result in a risk to competition and may result in unequal treatment of Shippers with regards to managing their imbalance risk and therefore, we consider it negatively impacts on relevant objective “d) (i) securing of effective competition between relevant shippers”

Furthermore, a consumer can change its shipper at any time. In a supply shortage situation, which could occur outside of normal business hours, it would not be feasible for Control Room staff to check with the CDSP whether the Shipper at the time the option was agreed is still incumbent before issuing the notifications, which could be to the further detriment of relevant objective (d)(i). To avoid this, it may be possible for NGT to establish a new service line with the CDSP to inform GNCC on a daily basis of who the registered shipper is for each consumer that holds a DSR option but we do not believe that this would be an efficient use of the CDSP’s resources.

In relation to Relevant Objectives, we note that the Proposer considers Modification Proposal 0852 to be positive for (d) securing effective competition, yet the rationale is concerned with additional security for Shippers rather than competition benefits.

Additionally, NGT consider Relevant Objective “a) Efficient and economic operation of the pipeline system” is negatively impacted by this Modification Proposal because it would result in NGT having to complete an administrative task for which a process exists via the existing contractual relationships which would take them away from their primary duty of managing the network. NGT believes that existing and established communication channels between Shippers and Consumers should provide an adequate mechanism for Consumers to confirm to their registered Shipper (potentially via their Supplier), of a reduction in their offtake in the event of their DSR Option being exercised. These channels of communication are currently utilised to confirm both planned and unplanned reductions in consumption and to confirm their BAU consumption values.

Under the current arrangements, following the assessment and award of DSR contacts NGT notify the registered Users (Shippers) of the consumers who have been successful within their portfolio. In the event of the market triggers for opening the DSR market being met (a Gas Balancing Notification or Margins Notice) a notification is issued to all Shippers via our ANS system. Therefore, NGT consider there to be enough information available to Shippers for them to actively engage with their customers through the established communication channels to determine if their DSR Option has been exercised.

Workgroup discussions have covered these topics however, we do not believe that the Proposer has demonstrated why notification of DSR exercise by consumer to shipper would not effectively be a 'business as usual' activity.

Impacts and Costs:

If this Modification is implemented, NGT’s ability to manage GB security of supply could be negatively impacted.

Impact on NGT:

- Impact the Control Rooms primary duty of managing the network and in managing a potential supply shortage which may reduce the effectiveness of the pre-emergency tools due to additional responsibilities being undertaken, or result in failure to complete the required processes resulting in equitability issues.
 - Likely to introduce additional pressure / stress on the control room staff when it is already a stressful situation whilst managing a supply shortage. This may result in delays to operationally critical tasks which can only be completed by Control Room staff.
- Potential for parties to claim NGT have acted discriminately towards some Shippers if we are unable to provide notification of exercise to all the relevant Users in a timely fashion.
- Inefficient use of time and resource due to the requirement to replicate a process that already exists between Consumers and Shippers.

Implementation:

NGT does not support implementation of this Modification Proposal for the reasons outlined within this consultation response.

Legal Text:

N/A

Ofgem Questions:

Q1: If appropriate for your business, please explain what arrangements are already in place for large consumers to report any emerging issues (such as unplanned shutdowns) to shippers. Following this, please explain what barriers are in place to prevent similar arrangements being used for Demand Side Response communications.

Answer: Nothing further to add.

Q2: The panel have also asked you to please provide your views and reasons on the appropriate governance for this Modification - Self-governance or Authority Direction.

Answer: NGT consider this Modification to be Authority Direction and welcomed Ofgem's decision to reject the self-governance statement due to the potential impact on GB security of supply.

Q3: Please provide additional evidence in respect of the materiality of this Modification, i.e. Shippers, Suppliers and Customers as to why National Gas Transmission should be required to provide this service over and above normal BAU activities that apply to a Customer's normal contractual interaction with its Supplier and/or Shipper, and from National Gas as to why providing this service may have a material impact on the operations of the Control Room.

Answer: As outlined earlier in this consultation response, NGT considers there is potential for a material impact on the Control Room and their ability to manage a supply shortage, which in turn has potential to have a negative impact on GB security of supply should this

Modification be implemented. With the current size of the DSR Market, this is likely to be manageable but will still put additional pressure on the Control Room. NGT are actively taking steps through UNC Modification Proposals 0866 and 0867 to grow the DSR Market in terms of the volume we can procure and the number of consumers that can participate. Therefore, it is not unreasonable to consider the consequences of a larger market and the increased workload for Control Room operatives as a result of Modification Proposal 0852.

The attached diagrams highlight the high level responsibilities of the Commercial Officer and Commercial Lead who run the commercial desk Control within the Room when they are managing a supply shortage along with their BAU activities. We have utilised the actual impacts from 1st March 2018, the most recent instance where the Control Room were operating under a state of duress and is the only occasion that the DSR Market has opened to highlight the additional workload. During this period, the control room were under significant stress and their primary objective is to maintain pressure of the NTS and protect consumers.

Key:

Black text = BAU tasks

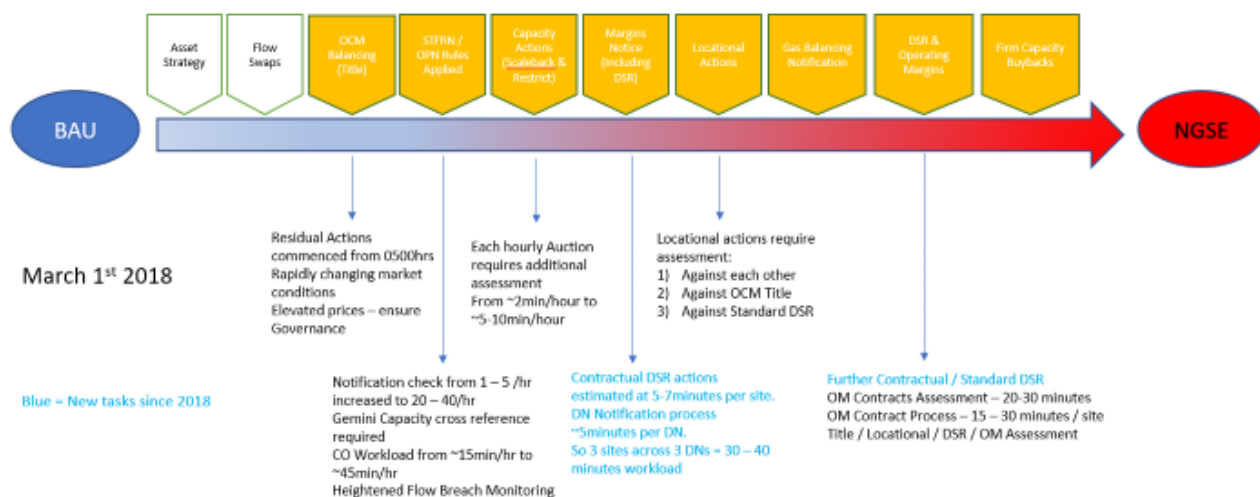
Amber text = Impactful increase in workload

Red text = Significant workload increase



This highlights there is a material increase in workload and are still required to deliver against BAU operations.

The timeline below is based on the commercial activities within the control room during Beast from the East on 01st March 2018. It demonstrates the normal BAU workload and times required to complete the tasks and how long they were taking to complete whilst under a state of duress due to a constraint / supply shortage scenario.



Some of the key stages to highlight from the timeline are:

1. The publication of a Short-Term Flexibility Restriction Notice (STFRN)

Following its publication, the amount of time the Control Room spend on reviewing Notifications increases significantly from ~15 minutes to ~45 minutes per hour which is a ~200% increase. This is largely due to the increase in checking from ~1-5 to 20-40 per hour.

2. Capacity actions

Hourly auctions require publishing and processing by the Control Room and there are specific UNC obligations on the timings that these need to be completed by. If an auction runs late it could have a detrimental effect upon Shippers. Additionally, we are likely to be scaling back and reviewing other commercial tools available which is estimated to increase the workload in the best case scenario from 2 to 5 minutes (150% increase) or worse case 2 to 10 minutes (400% increase).

3. New processes that have been introduced since March 2018 – DSR

Current estimates suggest that DSR related workload may be significant even with the current level of participation. We estimate that that following the publication of a Margins Notice there is potentially an additional 30 – 40 minutes of work to be completed.

Therefore, due to the additional workload already being completed by the Control Room on top of their BAU activities, NGT considers that if we were to take on the obligation to notify Shippers following a consumer being exercised, and the DSR Market continues to grow, there is a real and material risk to GB security of supply because it is likely to limit our ability to effectively manage the supply shortage. Additionally, the existing

communication channels between Shippers and Consumers should be sufficient in communicating the reduction in demand as they are for all other reductions in demand.

Error or Omissions:

N/A

Additional analysis:

N/A

SEFE Energy Representation Draft Modification Report

Modification 0UNC 0852: Shipper notification in relation to option exercise for Customer Demand Side Response

1. **Consultation close out date:** 22nd February 2024
2. **Respond to:** enquiries@gasgovernance.co.uk
3. **Organisation:**
SEFE Energy
5th Floor
8 First Street
Manchester
M15 4RP
4. **Representative:**
Steve Mulinganie
Senior Regulation Manager
stevemulinganie@sefe-energy.com
0799 097 2568
5. **Date of Representation:** 21st February 2024 (updated version)
6. **Do you support or oppose Implementation:**
We **Support** implementation of the Modification
7. **Please summarise (in 1 paragraph) the key reason(s) for your position:**
SEFE raised Modification 0852 as a result of concerns from both Consumers Representatives and Shippers that the proposed arrangements in relation to Consumer Direct DSR are atypical and could lead to instances where the Shipper is not notified that a Consumer DSR event has been triggered. We note that similar concerns from Distribution Networks were addressed by the introduction of a specific clause (see below)

8.7.6 Where National Gas Transmission exercises a DSR Option, if the Supply Meter Point is a LDZ Supply Meter Point it **will notify** the relevant DN Operator of the exercise.

Whilst the following clause (see below) was included specifically to exclude Shippers from being notified:

7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will not inform the Registered User of the Supply Meter Point of the exercise;

Whilst concerns have been raised about the potential for material impact to arise, we also note that for 2023/24 DSR Offers were only submitted for 12 Supply Points and that no evidence to support this assertion of a material impact has been provided. We acknowledge that the Consumer should advise their Supplier but note that in some cases the Supplier may be a different entity to the Shipper. Therefore we believe that the additional notification, noting the modification is agnostic to its method, proposed in this modification is immaterial, proportionate, and efficient considering the atypical nature of the arrangements and the deminimis nature of the work involved.

8. Are there any new or additional Issues for the Modification Report:

No

9. Self-Governance Statement Do you agree with the status?

Not Applicable (sadly)

10. Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

As the proper we continue to **believe that this modification is positive in respect of Relevant Objective (d)** as the inclusion of notification to Shippers in the event that Consumers direct Demand Side Response is triggered will provide an additional level of security for Suppliers, Shippers, and Consumers. This is particularly relevant as direct contracting between National Gas and Consumers is atypical.

11. Impacts & Costs:

What analysis, development and on-going costs would you face if this modification was implemented?

We **have not** identified any significant costs associated with the implementation of this modification.

12. Implementation:

What lead times would you wish to see prior to this modification being implemented, and why?

As soon as reasonably practicable

13. Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

We have reviewed the Legal Text and **we are satisfied** that it will meet the intent of the modification

TPD Section D

7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will inform the Registered User of the Supply Meter Point of the exercise.

14. Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that you believe should be taken into account or you wish to emphasise.

Yes

Whilst we do not agree with National Gas on this particular aspect of the Demand Side Response arrangements, we would like to record our thanks to National Gas and all those involved for the considerable work undertaken at short notice by all parties in facilitating the availability of DSR products.

We believe that this modification has identified a deficiency in the existing Governance arrangements. The test of Self Governance is that it is a non-material change and we believe this was met by the self-evident diminutive nature of the proposed obligations. Whilst this was challenged, critically no actual evidence was provided to support the assertion i.e. that this obligation would create circumstances that would have a material impact. However on the basis of this belief, and against the views of the majority of the Modification Panel, the Authority has withdrawn the Self Governance status which forces this Modification to Authority direction. We believe any such unilateral change to the status of a Modification by the Authority should always be evidence based.

If this Modification is deemed as Self Governance as it is believed that contacting Shippers increases the workload on the control room materially then we cannot see how Modification 0866S - Amendments to Demand Side Response (DSR) Arrangements is considered self-governance when it increases the scope of Consumer DSR to Class 2 Customers. If utilised this would of course increase the number of notifications required to be made to Consumers and Transporters which if the control rooms operation is so resource constrained must have a material impact.

Modification Panel Members have requested that the following questions are addressed:

Q1: If appropriate for your business, please explain what arrangements are already in place for large consumers to report any emerging issues (such as unplanned shutdowns) to shippers. Following this, please explain what barriers are in place to prevent similar arrangements being used for Demand Side Response communications.

Answer: Consumer DSR are arrangements directly between the Consumer and National Gas. Whilst we may expect Consumers to notify their Supplier in the event that DSR is exercised bilaterally between the Consumer and National Grid we note the risk that due to the atypical nature of these arrangements this may not be achieved. We also note that the Supplier and the Shipper may be different entities adding to the risk that a relevant party may not be informed. Our proposal provides an immaterial solution to address these risks that arises from the atypical nature of these arrangements.

Q2: Panel have also asked you to please provide your views and reasons on the appropriate governance for this Modification - Self-governance or Authority Direction.

Answer: As noted above no evidence has been provided to support the claim that this modification has a material impact therefore, we believe, along with the majority of the Panel, that the Modification should be subject to the Self Governance process.

Q3: Please provide additional evidence in respect of the materiality of this Modification, i.e. Shippers, Suppliers and Customers as to why National Gas Transmission should be required to provide this service over and above normal BAU activities that apply to a Customer's normal contractual interaction with its Supplier and/or Shipper, and from National Gas as to why providing this service may have a material impact on the operations of the Control Room.

Answer: As previously noted, we do not see how the inclusion of an obligation to notify Shippers is material as the volumes are deminimis and the method of notification is at National Grids discretion e.g. phone, email notification which could be automated. The timing of this activity is prior to an incident being declared and therefore would not be occurring at a time of maximum demand on the control rooms resources. We also note that as part of the existing arrangements resourcing is available to notify Consumers and Networks. The principal relationships under the Uniform Network Code are between Shippers and Transporters whilst the retail relationship is between a Consumers and their Suppliers. Consumer direct DSR, whilst a welcome addition, is an atypical arrangement with Consumers contracting directly with National Grid. Excluding the Shipper from direct notification could have material consequential impact as it is important to note that were the Shipper and Supplier are different entities the Consumer would have no relationship with the Shipper.

Representation – Draft Modification Report UNC 0852

Shipper notification in relation to option exercise for Customer Demand Side Response

Responses invited by: 5pm on 22 February 2024

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Mark Jones
Organisation:	SSE Energy Supply Limited
Date of Representation:	22 February 2024
Support or oppose implementation?	Support
Relevant Objective:	d) Positive
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise the key reason(s) for your support or opposition.

We support this modification as it addresses a gap in the information provision to shippers if they have any consumers that are reducing demand under instructions from National Gas Transmission at a time of a national gas supply shortage. The information may be provided late, or not at all, by the relevant consumers and this may impact trading and nomination decisions taken by shippers.

Impacts and Costs: Please provide a view on the impacts and costs you would face.

None identified.

Implementation: What lead-time do you wish to see prior to implementation and why?

We would like to see this modification implemented as soon as possible.

Legal Text: Are you satisfied that the legal text will deliver the intent of the Solution?

Yes.

Ofgem Questions: Ofgem and Panel have requested that the following questions be addressed.

Q1: If appropriate for your business, please explain what arrangements are already in

place for large consumers to report any emerging issues (such as unplanned shutdowns) to shippers. Following this, please explain what barriers are in place to prevent similar arrangements being used for Demand Side Response communications.

We have regular interactions with large consumers. However, these arrangements may not be appropriate for demand side response communications as consumer communications can be of an ad-hoc type nature for any situations such as unplanned shutdowns, and this change would provide more certainty for key shipper information requirements. Also, a situation such as an unplanned shutdown is very unlikely to coincide with a requirement for consumer demand reductions during a national gas supply shortage when wholesale short term gas prices are likely to be very high.

Q2: The panel have also asked you to please provide your views and reasons on the appropriate governance for this Modification - Self-governance or Authority Direction.

We believe this modification should be self-governance as it relates only to a reporting requirement and has a low material impact.

Q3: Please provide additional evidence in respect of the materiality of this Modification, i.e. Shippers, Suppliers and Customers as to why National Gas Transmission should be required to provide this service over and above normal BAU activities that apply to a Customer's normal contractual interaction with its Supplier and/or Shipper, and from National Gas as to why providing this service may have a material impact on the operations of the Control Room.

We believe the requirement on National Gas Transmission to provide this service is very light compared to the benefit it could bring to shippers. It must also be taken into account that this service would only be provided at times of a national gas supply shortage when the system is under strain and, as a result, the short-term market and imbalance prices for gas are likely to be very high and, potentially, very volatile. In this situation shippers need as much information as possible in order to carry out their key trading activities.

Error or Omissions: Are there any errors or omissions in this Modification Report that you think should be taken into account? *Please include details of any impacts/costs to your organisation that are directly related to this.*

No.

Additional analysis: *Please provide below any analysis or information to support your representation.*

Representation – Draft Modification Report UNC 0852

Shipper notification in relation to option exercise for Customer Demand Side Response

Responses invited by: **5pm on 22 February 2024**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Tom Stuart
Organisation:	Wales & West Utilities
Date of Representation:	20.2.24
Support or oppose implementation?	Support
Relevant Objective:	d) Positive
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: *Please summarise the key reason(s) for your support or opposition.*

Wales & West Utilities offers support for this modification as there are benefits of providing a notification to Shippers when a site enters DSR, and without a notification, a Shipper may incur imbalance charges which if passed onto customers would make DSR less attractive at a time when the industry is looking to increase customer engagement in DSR. The DSR arrangements already provide for notification to DNOs and we support this arrangement being extended to Shippers.

As DSR is a pre-Gas Deficit Emergency activity designed to reduce the likelihood of a Gas Deficit Emergency occurring, and not an active emergency, we think it is reasonable to communicate with shippers when their site enters DSR. The proposer of the modification does not prescribe the type of communication method to be used and has left this open for impacted parties to agree which is the most appropriate.

We believe the modification furthers relevant objective d) Securing of effective competition: (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

Impacts and Costs: *Please provide a view on the impacts and costs you would face.*

None

Implementation: *What lead-time do you wish to see prior to implementation and why?*

This modification should be implemented in a time to allow impacted parties to make system changes if required.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes

Ofgem Questions: *Ofgem and Panel have requested that the following questions be addressed.*

Q1: *If appropriate for your business, please explain what arrangements are already in place for large consumers to report any emerging issues (such as unplanned shutdowns) to shippers. Following this, please explain what barriers are in place to prevent similar arrangements being used for Demand Side Response communications.*

N/A

Q2: *The panel have also asked you to please provide your views and reasons on the appropriate governance for this Modification - Self-governance or Authority Direction.*

We believe this modification meets the self-governance criteria as the change is a low materiality due to low volumes of sites and the requirement to communicate outside of an emergency scenario.

Q3: *Please provide additional evidence in respect of the materiality of this Modification, i.e. Shippers, Suppliers and Customers as to why National Gas Transmission should be required to provide this service over and above normal BAU activities that apply to a Customer's normal contractual interaction with its Supplier and/or Shipper, and from National Gas as to why providing this service may have a material impact on the operations of the Control Room.*

As communication is provided by NGT to DNOs in this scenario, which is required should a DNO be required to become active in a Gas Deficit Emergency, then it would be low impact on NGT to also share communication with Shippers. If the argument against providing a notification is that under BAU notification is not provided so it shouldn't be provided under DSR, which by implication is regarded as BAU, this undermines the argument that the NGT team are so resource constrained (given that they are operating under BAU and therefore should be adequately resourced) that they are unable to notify Shippers when they already have an obligation to notify DNOs. If the argument is that DSR is not BAU, NGT are doing something outside of BAU and should clearly notify Shippers that they are requiring one of the Shipper's customers to do something outside of normal business processes.

Error or Omissions: *Are there any errors or omissions in this Modification Report that you think should be taken into account? Please include details of any impacts/costs to your organisation that are directly related to this.*

None

Additional analysis: *Please provide below any analysis or information to support your representation.*

None