

UNC Modification	At what stage is this document in the process?
<h1>UNC 0XXX:</h1> <h2>Amendment of the UNC term ‘Gas Deficit Warning’ to ‘Gas Balancing Notification’</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;"> 01 Modification </div> <div style="border: 1px solid #17a2b8; padding: 2px; display: flex; align-items: center; justify-content: center;"> 02 Workgroup Report </div> <div style="border: 1px solid #9c27b0; padding: 2px; display: flex; align-items: center; justify-content: center;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ffc107; padding: 2px; display: flex; align-items: center; justify-content: center;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>To change the name of the UNC defined term ‘Gas Deficit Warning’ to ‘Gas Balancing Notification’.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> considered a material change and not subject to self-governance assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 21 March 2019. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>
	<p>High Impact:</p> <p>Gas Shippers and Traders</p>
	<p>Medium Impact:</p> <p>National Grid NTS</p>
	<p>Low Impact:</p> <p>OCM Market Operator, Gas Consumers, and Distribution Networks</p>

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Timetable		
The Proposer recommends the following timetable:		
Initial consideration by Workgroup	04 April 2019	
Workgroup Report presented to Panel	18 April 2019	
Draft Modification Report issued for consultation	18 April 2019	
Consultation Close-out for representations	09 May 2019	
Final Modification Report available for Panel	13 May 2019	
Modification Panel decision	16 May 2019	
Authority Decision	24 June 2019	

 Any questions?

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1 Summary

What

National Grid NTS may issue a Gas Deficit Warning (GDW) in the event of a national gas supply / demand differential that presents a material risk to the end of day balance on the NTS. The purpose of a GDW is to signal to gas market participants that they either need to provide more gas or reduce demand.

On 1st March 2018, National Grid NTS issued the first ever GDW in response to coincident events involving cold weather, high gas demand, and multiple supply failures. Whilst the GDW had its desired effect on this day as the risk of an end-of-day system imbalance was addressed, National Grid NTS considers that the term 'Gas Deficit Warning' does not adequately reflect the purpose of the message and was, unhelpfully, taken out of context by some market observers. National Grid NTS considers that such reporting fuelled a sense of panic in the market that was unwarranted, potentially resulting in higher within-day gas prices than would otherwise have been the case. Consequently, National Grid NTS considers that the term presents a risk of uneconomic outcomes and detrimental impact on the GB gas market.

Why

This Modification is needed to mitigate the above risk for Winter 2019/20. If this Modification is not implemented, there is a risk of unwarranted market concern, inaccurate reporting and unnecessary public perception of crisis in the event that another GDW is triggered.

How

It is proposed that all references to the term 'Gas Deficit Warning' in UNC are replaced with the term 'Gas Balancing Notification'.

2 Governance

Justification for Authority Direction

This Modification is likely to have a material effect on:

- (aa) existing or future gas consumers; and
- (bb) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and
- (dd) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies

National Grid foresees a material effect on to gas consumers both directly, from a reduced exposure to within-day gas price spikes resulting from a more measured market response to a GDW, and also indirectly, by protecting the integrity of the liberalised GB gas market from what may otherwise be alarmist commentary about the security of GB's gas supply.

The use of a term which more accurately represents the content of the message reduces the potential for misinterpretation. Changing the term 'Gas Deficit Warning' to 'Gas Balancing Notification' would therefore

enable better decision making and more efficient responses from relevant GB market participants, whether that be associated with actions to increase gas supply or an economic decision by downstream parties to stop consuming gas. We believe that more efficient market responses could have a material effect on improving competition between shippers and suppliers.

This Modification will facilitate a more accurate understanding about the real-time situation of the system in the event of a material imbalance between gas supply and gas demand, thereby enabling the market to respond more efficiently. A more proportionate market response will reduce the risk of the situation deteriorating towards a Gas Deficit Emergency, thereby providing a material benefit to security of supply.

Requested Next Steps

This modification should be:

- considered a material change and not subject to self-governance
- assessed by one Workgroup

3 Why Change?

National Grid NTS may issue a Gas Deficit Warning (GDW) in the event of a national gas supply / demand differential that presents a material risk to the end of day balance on the NTS. The purpose of a GDW is to announce to gas market participants that they either need to provide more gas or reduce demand. It is a market tool used in normal market operation as an indication to the market that National Grid NTS is not seeing a sufficiently timely balancing response to, most likely, an unforeseen event(s) and it therefore also provides National Grid NTS with the facility to access further balancing tools to resolve the mismatch.

A GDW does not necessarily mean there is insufficient gas available, nor that the declaration of a Gas Deficit Emergency is imminent. Even if this were the case, there are a number of steps to go through before domestic gas customers would be impacted.

Modification 0415 'Revision of the Gas Balancing Alert (GBA) Arrangements' (implemented on 1st December 2012) introduced the GDW term into the UNC. It did so by replacing the single GBA term with the Margins Notice and GDW terms in order to provide a more granular indication of the time criticality of the forecast supply / demand imbalance. In National Grid NTS' view, this amendment from one alert mechanism to two remains appropriate; however, in the light of operational experience as a result of triggering a GDW and observing the consequences, the GDW term would benefit from revision.

On 1st March 2018, National Grid NTS issued its first ever GDW in response to coincident events involving cold weather, high gas demand, and supply failures. Whilst the GDW had its desired effect on this day as the risk of an end-of-day system imbalance was addressed, National Grid NTS considers that the term 'Gas Deficit Warning' does not adequately reflect the purpose of the message and that, consequently, the term presents a risk of uneconomic outcomes and detrimental impact to the GB gas market.

This Modification is needed to mitigate the above risk for Winter 2019/20. If this Modification is not implemented, there is a risk of unwarranted market concern, inaccurate reporting and unnecessary public perception of a gas security of supply crisis in the event that another GDW is triggered.

As the gas and electricity markets have become increasingly connected in recent years, disruption on the gas system may well also lead to issues within the electricity market.

4 Code Specific Matters

Reference Documents

Information about National Grid's gas notifications is contained on its website at:

<https://www.nationalgrid.com/uk/gas/balancing/margins-notice-mn-and-gas-deficit-warnings-gdw>

Knowledge/Skills

A working knowledge of National Grid's procedures and tools to provide notice to GB gas market participants of a possible imbalance between gas demand and supply, together with knowledge of the events of 1st March 2018 and immediate reporting thereof would be helpful in assessing this Modification.

<https://www.nationalgridgas.com/sites/gas/files/documents/Gas%20Ops%20Forum%20full%20pack%20-%20April%202018.pdf>

5 Solution

Replace the UNC defined term 'Gas Deficit Warning' with the term 'Gas Balancing Notification'.

Replace the UNC defined term 'GDW Withdrawal Notice' with the term 'GBN Withdrawal Notice'.

Correct a typographical error in the section of UNC TPD section V5.9.7(c) (i).

6 Impacts & Other Considerations

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

None

Consumer Impacts

National Grid NTS expects that end consumers will benefit from this Modification if a message that is currently described as a GDW is ever issued again. This benefit is likely to accrue both directly, from a reduced exposure to within-day gas price spikes resulting from a more measured market response to such message, and also indirectly, by protecting the integrity of the liberalised GB gas market from what may otherwise be alarmist commentary about the security of GB's gas supply.

Cross Code Impacts

This Modification is consistent with Modification GC0093 to the Grid Code, 'Assessment of System Warnings', which amended the term 'Notification of Inadequate System Margin' to 'Electricity Margin Notice' in September 2016. A link is provided here: <https://www.nationalgrideso.com/codes/grid-code/modifications/gc0093-assessment-system-warnings>.

EU Code Impacts

None

Central Systems Impacts

None

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	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.	Positive
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

National Grid NTS considers that this Modification would better facilitate the following relevant objectives:

a) **Efficient and economic operation of the pipe-line system.**

This Modification will facilitate a more accurate description of a market message and thereby provide greater clarity to GB market participants about the real-time situation of the system in the event of a material imbalance between gas supply and gas demand. A better understanding of what message National Grid is communicating will enable the market to respond more efficiently, reducing the risk of a Gas Deficit Emergency being declared with the associated suspension of market arrangements, thereby enabling the system to be operated more efficiently.

d) **Securing of effective competition between relevant shippers and suppliers.**

The use of a term which more accurately represents the content of the message reduces the potential for misinterpretation. Changing the term 'Gas Deficit Warning' to 'Gas Balancing Notification' would therefore enable better decision making and more efficient responses from relevant GB market participants, whether that be associated with actions to increase gas supply or an economic decision by downstream parties to stop consuming gas. More efficient market responses facilitate more effective competition between shippers and suppliers.

- 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.

More accurate terminology for this market message will better facilitate price discovery that reflects market fundamentals, thereby helping to appropriately incentivise relevant suppliers to make adequate provision in their gas supply arrangements for peak demand days.

8 Implementation

No material implementation costs are expected. Shippers and suppliers would need to change the term accordingly wherever it appears in their contracts.

No specific implementation date is proposed, however, implementation by 1st October 2019 would be desirable to realise the benefits of this Modification for winter 2019/20.

9 Legal Text

Legal text will be provided at the appropriate time.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Issue this modification to a Workgroup for assessment.