

UNC Request Workgroup Report	At what stage is this document in the process?
<h1>UNC 0669R:</h1> <h2>Review of the Gas Deficit Warning (GDW) and Margins Notice (MN) Arrangements</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid blue; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid purple; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid orange; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Request:</p> <p>To review the processes, timeliness, and information provision associated with National Grid's gas security of supply notices and to review the name of the Gas Deficit Warning notice.</p>	
	<p>The Workgroup recommends that the Panel consider this report.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: GB gas market participants, National Grid NTS</p>
	<p>Low Impact: None</p>

Contents		 Any questions?
1 Request Summary	3	Contact: Joint Office of Gas Transporters
2 Impacts and Costs	4	 enquiries@gasgovernance.co.uk
3 Terms of Reference	8	 0121 288 2107
4 Modification(s)	8	Proposer: Phil Hobbins National Grid NTS
5 Recommendation	11	 philip.hobbins@nationalgrid.com
Timetable		 01926 653432
This report will be presented to the Panel on 16 May 2019.		Transporter: National Grid NTS
The Workgroup recommends that the Panel consider this report.		 philip.hobbins@nationalgrid.com
		 01926 653432
		Systems Provider: Xoserve
		 UKLink@xoserve.com
		Other: Angharad Williams National Grid NTS
		 angharad.williams@nationalgrid.com
		 01926 653149

1 Request Summary

Why is the Request being made?

At present, National Grid NTS has two main tools to provide notice to GB gas market participants of a possible imbalance between gas demand and supply:

- Margins Notice (MN) – issued if forecast demand for the day ahead exceeds a pre-defined forecast of supply; and
- Gas Deficit Warning (GDW) – issued if there is a more serious supply and demand imbalance leading to a material risk to the end of day balance on the NTS. The procedures are described in more detail on the National Grid website.¹

The purpose of a GDW is to provide a message to GB market participants to provide more gas or reduce demand. On 01 March 2018, National Grid NTS issued its first ever GDW in response to coincident events involving cold weather, high gas demand, and supply failures. The GDW had its desired effect on this day as the risk of an end-of-day system imbalance was addressed². However, National Grid NTS considers that the term 'Gas Deficit Warning' may not adequately reflect this purpose and could be misinterpreted by the public.

National Grid NTS also considers that the time is right to review these notification arrangements with the industry, share learnings from operational experience on 01 March 2018 and improve the arrangements for the future. Changes in the electricity market have also occurred since the MN/GDW rules were introduced which serve as an additional driver for this review.

Scope

To review the GDW and MN notifications, the GDW name, trigger mechanisms, timeliness, and the information provision that supports these notification processes.

Impacts & Costs

The key impacts of this change are currently considered to be:

- industry contracts that support gas demand side response;
- information provision requirements that support the MN/GDW processes; and

¹ <https://www.nationalgrid.com/uk/gas/balancing/margins-notices-mn-and-gas-deficit-warnings-gdw>

² The MN has not been used since its introduction in 2012, though it is likely that one would have been issued on 1st March 2018, had National Grid NTS not moved straight into the GDW.

- knock-on impacts in the electricity market.

It is not currently expected that this Request will result in any material implementation cost.

Recommendations

The objective of this Request is to explore whether the timeliness and effectiveness of National Grid NTS' notifications that alert the industry about a potential gas supply / demand imbalance can be improved without causing wider, unwarranted alarm.

2 Impacts and Costs

Consideration of Wider Industry Impacts

National Grid NTS is also planning to review the Gas Demand Side Response (DSR) arrangements in parallel to this Request. The pre-mod discussion for this review 0669R at Transmission Workgroup on 06 September 2018 highlighted that the two pieces of work are closely linked; this Request may impact the Gas DSR review because the latter is triggered when a GDW is issued. National Grid NTS therefore expects that this Request will help to inform the Gas DSR review³.

Aside from the review of the Gas DSR arrangements, National Grid NTS does not currently anticipate any other wider industry impacts.

Impacts

Impact on Central Systems and Process	
Central System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> • None identified
Operational Processes	<ul style="list-style-type: none"> • Potential

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> • Yes – if information provision arrangements change, administrative and operational aspects within Users' businesses may be impacted.
Development, capital and operating costs	<ul style="list-style-type: none"> • None identified
Contractual risks	<ul style="list-style-type: none"> • If the GDW name is changed, there may be a consequential impact within some User's contracts if the term currently features in those contracts. However, no material change in contractual risk for Users is currently envisaged.
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> • None identified

³ For further information please see: <http://www.gasgovernance.co.uk/gasdsr>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> None identified. This Request is primarily concerned with information flows and communications.
Development, capital and operating costs	<ul style="list-style-type: none"> None identified
Recovery of costs	<ul style="list-style-type: none"> None identified
Price regulation	<ul style="list-style-type: none"> None identified
Contractual risks	<ul style="list-style-type: none"> None identified
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None identified
Standards of service	<ul style="list-style-type: none"> None identified

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

Impact on Code	
Code section	Potential impact
TPD, Section D, 4.1.1, 5.1.1, & 5.1.2	<ul style="list-style-type: none"> Yes, if the term 'Gas Deficit Warning' is changed.
TPD, Section V, 5.9.4, 5.9.5, 5.9.6, & 5.9.7	<ul style="list-style-type: none"> Yes, if the term 'Gas Deficit Warning' is changed. Potential – Margins Notice

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 identified
General	Potential Impact
Legal Text Guidance Document	<ul style="list-style-type: none"> None identified
UNC Modification Proposals – Guidance for Proposers	<ul style="list-style-type: none"> None identified

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

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

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"> Potential
Gas Transporter Licence	<ul style="list-style-type: none"> None identified

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none"> Yes – this Request aspires towards a beneficial impact for security of supply
Operation of the Total System	<ul style="list-style-type: none"> None identified
Industry fragmentation	<ul style="list-style-type: none"> None identified
Terminal operators, consumers, connected system operators, suppliers, producers and other non-code parties	<ul style="list-style-type: none"> Yes, if these notification arrangements are changed, some impact for these stakeholder groups is expected.

3 Terms of Reference

Topics for Discussion

- Agree a 'problem statement'
- Agree the objectives of the Request
- 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 should a solution be identified.

Outputs

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

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.

4 Modification(s)

Progress towards Modification Proposals

Workgroup have worked steadily towards the aim of a review of:

- the GDW and MN notifications,
- the GDW name,
- trigger mechanisms,
- timeliness, and
- the information provision that supports these notification processes.

Modification 0685 - *Amendment of the UNC term 'Gas Deficit Warning' to 'Gas Balancing Notification'* was launched on 02 April 2019 after discussion at Workgroup. Some Workgroup Participants did not agree that the name GDW needed to be changed and expressed concern about potential effects where referenced in contracts. The Modification was considered by Panel on 18 April and was sent out for consultation with consultation close out on 21 May 2019. The Final Modification Report will be presented to Panel in June 2019. Further details are available here:

<http://www.gasgovernance.co.uk/0685>

Margins Notice (MN) Arrangements

As of 14 May 2019, Workgroup are working towards a further Modification Proposal focusing on the Margins Notice (MN) Arrangements.

National Grid have proposed a new process for Margins Notice calculation, whereby the Margins Notice is triggered if:

Total Max Use < Demand Forecast

Where

**Total Max Use = (NSS Assumption +
Storage Max Use +
LNG Assumption +
Interconnectors Assumption)**

Each of these terms is addressed as follows:

- NSS – reviewed monthly, covering just UKCS & Norway, with LNG & Interconnectors removed
- Storage – reviewed daily – Current process to remain
- LNG – reviewed daily – New methodology
- Interconnectors – reviewed daily – New methodology

An ANS is to be issued when National Grid sees a certain percentage of the Margins Notice trigger. These changes to the methodology are proposed to be included in the UNC together with the frequency of these processes and reviews.

Areas which have been or will be assessed include:

- Whether measures and conclusions appear to be likely to have a change on whether the MN was issued on 01 March 2018;
- Consideration of declining linepack (PCLP figures);
- Weather/Temperature – projected effect on demand forecast
- Probability/risk of failure (de-rating?) e.g. recognising effects of field/asset life – UKCS
- Demand
- Supply
- Forecasts of demand as proportion of supply (compare with interruptible capacity)
- Price differentials (reference interconnectors)
- Potential change to UNC 'Expected Available Supply' - defined term
- Potential for examination via Monte Carlo type analysis (probability distribution functions).

15 April 2019 LNG and Interconnector Methodologies

Workgroup noted that National Grid will confirm the methodologies for LNG and Interconnectors. An appropriate percentage of MN trigger level will be determined for issuing an ANS notification, to signal that the system is approaching the MN trigger level.

It is envisaged that the formulae for calculation the contribution of LNG and Interconnectors to what is currently called Non-Storage Supply will be proposed to be included within the UNC. Calculation frequency for Interconnector and LNG will be daily.

Interconnector 15 April 2019

Workgroup examined the D-1 Nominations data with a view to informing the Margins Notice, National Grid has now completed analysis on the D-1 data available. The conclusion from this is that when the MN trigger level is being derived, the D-1 Nominations data is not representative of actual flows seen on the gas day D. Therefore, NG has proposed an alternative methodology for Interconnector data, based on the hub price differential (NBP and TTF or NBP and ZEE) and the average flow based on either the previous 2 days or 7 days. The Workgroup noted a stronger correlation based on the previous 2 days.

Workgroup considered whether transportation commodity charges should feature in the methodology and concluded that a definitive answer to the question of what costs were contained within the hub prices was not possible to determine.

LNG 02 May and 15 April 2019

Workgroup noted that National Grid has rejected use of CWV as a predictor for LNG flows as the data does not show a consistent correlation for the last 3 years. National Grid will further develop the LNG Methodology based on usable stock.

02 May 2019 Update

Workgroup has heard from NG about potential challenges in employing usable stock calculations and National Grid will come back to the next Workgroup meeting (06 June 2019) to outline how these may be overcome. National Grid will also bring a proposal for an LNG methodology to the next meeting.

Workgroup agreed that the Joint Office will seek extension to August for 0669R on Workgroup's behalf.

Workgroup is expecting to see a final set of proposals to go forward into a modification at the next meeting in June if possible.

Workgroup will capture at its next meeting other areas for future improvement (a possible stage 2). It is likely that the Workgroup will be able to close 0669R in July and revisit stage 2 under a new review later.

National Grid aims to get its forthcoming new modification in place for Winter 19/20.

National Grid also aims to have a draft modification and draft Legal Text for workgroup to review at the 04 July 2019 meeting.

5 Recommendation

The Workgroup invites Panel to:

- DETERMINE that Request 0669R reporting date to UNC Panel should be extended to August 2019.