









UNC Final Modification Report	At what stage is this document in the process?
<h1 style="color: #008080;">UNC 0833 (Urgent):</h1> <h2 style="color: #008080;">Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #008080; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid #008080; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid #800080; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #800080; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>This Modification would:</p> <ul style="list-style-type: none"> • Enable National Grid NTS to effect Gas Demand Side Response (DSR) trades with Users that do not have access to the On-the-Day Commodity Market (OCM); and • Correct two drafting oversights from UNC0822 – Reform of Gas Demand Side Arrangements https://www.gasgovernance.co.uk/0822 	
<p>Next Steps:</p> <p>The Panel recommends implementation.</p>	
<p>Impacted Parties:</p> <p>High: Large Industrial and Commercial Consumers, Shippers, National Grid Gas (NGG), On-the-Day Commodity Market (OCM) Market Operator</p> <p>Low:</p> <p>None:</p>	
<p>Impacted Codes:</p> <p>UNC and potentially iGT Code</p>	

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Timetable			
Modification timetable:			
Date Modification Raised	29 November 2022		
Ofgem decision on Urgency	01 December 2022		
Modification Proposal issued for Consultation	01 December 2022		
Consultation Close-out for Representations	02 December 2022		
Final Modification Report available for Panel	05 December 2022		
Modification Panel Recommendation	07 December 2022		
Final Modification Report issued to Ofgem	07 December 2022		

1 Summary

What

In accordance with the changes implemented under Urgent Modification 0822 - Reform of Gas Demand Side Response Arrangements (<https://www.gasgovernance.co.uk/0822>), ahead of each forthcoming Winter Period, National Grid NTS is required to issue an invitation to offer to all Users seeking commitments to offer DSR quantities on behalf of consumers with an Annual Quantity (AQ) greater than 2m therms per annum (pa) for the next three Winter Periods. The first such invitation was launched on 18 November 2022 and will close on 09 December 2022. If a User has a DSR option accepted by NGG, that same User would then be obliged to post DSR Market Offers onto the OCM at times of supply shortage, triggered either by a Margins Notice or a Gas Balancing Notification (GBN).

Why

Since Urgent Modification 0822 was implemented on 17 October 2022, National Grid NTS has been engaging with Users with an Industrial and Commercial portfolio about the likelihood of DSR options being offered and whether there are any barriers in relation to this. One barrier is that some Users that are considering participating do not have access to the OCM and therefore could not post a DSR Market Offer if required. This situation can arise if there are separate User entities within the same group company; one that holds the contract with the consumer (the 'retail User') and the associated retail obligations which does not have access to the OCM and another (the 'trading User') which manages the trading functions on behalf of that organisation which does not hold the contract with the consumer. Non-Trading System Transactions are provided for in UNC but at present may only be utilised when a GBN is in force (not a Margins Notice) and are not at present permitted to be used as the means of transacting a DSR Market Offer, for which the OCM alone is allowed.

This Modification also seeks to correct two drafting oversights from Urgent Modification 0822.

- Urgent Modification 0822 enabled Users to post, and National Grid NTS to accept, DSR Market Offers during the period in which a Margins Notice is in force as well as a GBN, however, UNC currently provides that National Grid NTS and Users shall not have visibility of such DSR Market Offers until a GBN (only) is issued.
- The units applicable to a DSR Option Price should be specified in p/kWh/day rather than p/kWh.

How

The UNC will be modified to enable:

- (i) National Grid NTS and Users that have had DSR Options accepted but do not have OCM access to effect DSR Locational Market Transactions as Non-Trading System Transactions (i.e. as 'over-the-counter' trades);
- (ii) National Grid NTS and Users to have visibility of DSR Market Offers during a Voluntary DSR Period (which post implementation of UNC0822 may be triggered either by a Margins Notice or GBN); and
- (iii) Amend the units in which DSR Option Prices are submitted from p/kWh to p/kWh/day.

2 Governance

Justification for Urgency

Ofgem's guidance for the circumstances under which a Modification Proposal would be considered for Urgent procedures, specifies that it should be linked to an imminent or current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholders, a significant impact on the safety and security of the electricity and/or gas systems or cause a party to be in breach of any relevant legal requirements.

Gas DSR has the potential to be a valuable tool to reduce the likelihood and minimise the severity and duration of a Gas Deficit Emergency (GDE). Based on stakeholder engagement, some Users have Consumers that are willing to participate but are prevented from doing so by the structure of the User's business.

The current National Grid NTS DSR tender process closes on 09 December 2022, therefore this Modification is required urgently to enable these Users to participate on behalf of those Consumers and thus help mitigate the risk of a GDE occurring which, if it transpired, would have a significant commercial impact on parties including consumers and other stakeholders.

Requested Next Steps

This Modification should be treated as Urgent and should proceed as such under a timetable agreed with the Authority.

3 Why Change?

The DSR arrangements provide a mechanism for large consumers of gas to offer to reduce their demand via their User in return for a payment that they define during times of system stress.

The DSR arrangements as reformed by Modification 0822* take the form of "option" and "exercise" stages with separate payments made for each. In accordance with the changes implemented under Urgent Modification 0822, ahead of each forthcoming Winter Period, National Grid NTS is required to issue an invitation to tender to all Users seeking commitments to offer DSR quantities on behalf of consumers with an AQ greater than 2 million therms pa for the next three Winter Periods. The first such invitation was launched on 18 November 2022 and will close on 09 December 2022. If a User has a DSR Option accepted by National Grid NTS, that same User would then be obliged to post DSR Market Offers onto the OCM at times of supply shortage, triggered either by a Margins Notice (MN) or a GBN.

Since Urgent Modification 0822 was implemented and the current invitation process launched, National Grid NTS has been engaging with Users with an industrial and commercial portfolio about the likelihood of DSR options being offered and whether there are any barriers in relation to this. One barrier is that some Users that are considering participating do not have access to the OCM and therefore could not post a DSR Market Offer if required. This is because there are sometimes separate User entities within the same group company; one that holds the contract with the consumer and the associated retail obligations which does not have access to the OCM and another which manages the trading functions on behalf of that organisation which does not hold the contract with the consumer. Non-Trading System Transactions are provided for in UNC but at present

* <https://www.gasgovernance.co.uk/0822>

may only be utilised when a GBN is in force (not a MN) and are not permitted to be used as the means of transacting a DSR Market Offer, for which the OCM alone is allowed.

Alternative Options

National Grid NTS has worked with the Users concerned and explored the following alternative options:

Option	Reason for rejection
1. The retail User applies for access to the OCM via the market operator, ICE Endex	Users rejected this option on grounds of cost, operational complexity of introducing a trading function into a retail shipper business and the inability to complete the process within the required timescale
2. The trading User becomes a second Registered User in respect of the relevant Supply Point	This was explored with the CDSP; the only way this could be done is setting the Supply Point up as a Shared Supply Meter Point. This was rejected on timescale grounds and also because the trading User did not wish to take on retail obligations.
3. Agency arrangement whereby the trading User submits DSR market Offers on behalf of the retail User	This was rejected on grounds of complexity and timescale. System changes were also considered to be potentially required to link the two shipper accounts in Gemini in order that gas could be allocated to the correct User and to ensure the correct imbalance positions.

The concept of Non-Trading System Transactions has formed a part of the UNC for many years and was designed to cover a situation where National Grid NTS had a requirement to trade for residual balancing purposes at times of system stress, where OCM liquidity was inadequate but where there was liquidity in other markets or bi-laterally available from parties not active on the OCM. It is therefore considered that expansion of the concept to include DSR transactions is consistent with this original intent.

Drafting Corrections to UNC0822

Urgent Modification 0822 was progressed on accelerated timescales to enable DSR Options to be implemented for this winter. Due to the nature of that urgent process, it was always possible that drafting errors would later become apparent. National Grid NTS has identified two such errors which this Modification also seeks to correct.

1. UNC0822 enabled Users to post, and National Grid NTS to accept, DSR Market Offers during the period in which a Margins Notice is in force as well as a GBN, however, UNC currently provides that National Grid NTS and Users shall not have visibility of such DSR Market Offers until a GBN (only) is issued.
2. The units applicable to a DSR Option Price should be specified in p/kWh/day rather than p/kWh.

Consequences of Non-implementation

If this change is not made, National Grid NTS access to potentially material quantities of DSR that consumers have indicated they are willing to offer will be denied.

4 Code Specific Matters

Reference Documents

- Urgent Modification [0822](#) "Reform of Gas Demand Side Response Arrangements"
- National Grid [Gas Demand Side Response Methodology](#)

- [Decision \(https://www.gasgovernance.co.uk/0822\)](https://www.gasgovernance.co.uk/0822) on the proposed Modifications to the DSR Methodology of National Grid's Gas Transporter Licence and Decision further to National Grid's request for Derogation from Special Condition 9.22.3(c) of its Gas Transporter Licence.

Knowledge/Skills

An awareness of the current DSR rules in UNC (as revised by Urgent Modification 0822) and where they feature in the emergency arrangements would be helpful. In the UNC, these are contained in TPD sections D5 and D7.

5 Solution

The UNC will be modified to enable:

- (i) National Grid NTS and Users that have had DSR Options accepted but do not have OCM access to effect DSR Locational Market Transactions as Non-Trading System Transactions (i.e. as 'over-the-counter' trades);
- (ii) National Grid NTS and Users to have visibility of DSR Market Offers during a Voluntary DSR Period (which post implementation of UNC0822 may be triggered either by a Margins Notice or GBN); and
- (iii) Amend the units in which DSR Option Prices are submitted from p/kWh to p/kWh/day.

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

This Modification will enable some large consumers of gas who are potentially willing to offer DSR volumes to respond to the National Grid NTS DSR Invitation to Offer via their User where otherwise that User is unable to fulfil the condition of acceptance of such offer as that User cannot post DSR Market Offers onto the OCM when either a Margins Notice or GBN is triggered.

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

Consumers that are able to offer DSR but are prevented from doing so for the reasons highlighted in this Modification are likely to be frustrated that their offering cannot be accommodated due to the organisational set-up of their User.

The new consumer experience would be to enable this DSR offering to come to market in a way that would work for the relevant consumer.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
<p>Improved safety and reliability</p> <p>Where insufficient physical supply to meet demand is forecast, the inability of consumers to voluntarily reduce demand on the system could lead to a greater probability of a GDE, and the associated increased risks to network safety and reliability which result from falling pressures.</p> <p>This Modification is designed to encourage additional voluntary curtailment such that this pre-emergency tool would be available to National Grid in preventing such an escalation and mitigate such risks materialising, which could potentially impact all consumer groups.</p>	Positive
<p>Lower bills than would otherwise be the case</p> <p>The impacts on consumer bills from a GDE are unquantifiable in advance but likely to be significant as wholesale gas prices would rise in response to the insufficient supply situation that would trigger such an event.</p>	Positive
<p>Reduced environmental damage</p> <p>This Modification could result in a limited amount of fuel-switching. Use of back-up fuel could have a higher emissions intensity than natural gas but is only likely to need to be used on a few days.</p>	Negative
<p>Improved quality of service</p> <p>Declaration of a GDE resulting in compulsory firm load shedding would result in a significant impact on the quality of service that for those parties that may be unable to continue their gas offtake. This Modification helps to mitigate such a scenario arising.</p>	Positive
<p>Benefits for society as a whole</p> <p>The potential impact on heating capability, gas fired electricity generation, interruption to industrial production and knock-on impacts into wider supply chains that a GDE could cause could result in a major economic and societal impact for the country. This Modification would provide additional mitigation against such risks arising.</p>	Positive

Cross-Code Impacts

There may need to be an equivalent Modification to the iGT Code to ensure non-discrimination among all users.

EU Code Impacts

None.

Central Systems Impacts

No impacts on central systems will arise in order to implement this Modification.

National Grid NTS would need to amend its own operational procedures for acceptance of non-OCM trades for DSR purposes and its arrangements that are in place with ICE Endex, the OCM market operator. The following would be required:

- Use of National Grid NTS’ proforma for OTC trades to cover DSR Market Offers;
- Logging and matching the trade in Gemini with the relevant User;
- The User completing the relevant confirmation form; and
- National Grid NTS sending the accepted trade details to ICE Endex for inclusion in the calculation of system prices for that Day.

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.	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.	Positive
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.	None
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

Relevant Objective (a) “*efficient and economic operation of the pipe-line system*” is furthered by this Modification, which is designed to encourage further voluntary curtailment and thus mitigate the risk of a supply shortage escalating to declaration of a GDE. Should a GDE be declared and progress to Stage 2 then compulsory firm load shedding would result in disruption and inefficiency in the operation and use of the network as some parties that would wish to be taking gas would be prevented from doing so.

Relevant Objective (b) “*co-ordinated, efficient and economic operation of (i) the combined pipeline system and/or (ii) the pipeline system of one more other relevant gas transporters*” is also furthered by this Modification, also due to its mitigation of a GDE being declared. If such an event occurred, in addition to firm

load shedding on the NTS, Gas Distribution Networks may be given instructions to implement the shedding of firm loads within their networks resulting in disruption and inefficiency at LDZ level too.

8 Implementation

A decision by the Authority is sought not later than 08 December 2022, with implementation effective from 05:00 on 09 December 2022 to allow this solution to be in place in time for the relevant Users to submit DSR Option offers by the current DSR Invitation to Offer deadline.

If a decision is received by 09 December 2022, then the implementation date should be 12 December 2022.

If a decision is received after 09 December 2022 and before 22 December 2022, the implementation date should be 23 December 2022.

These latter two implementation dates would be after the closure of the DSR Option tender but within the tender allocation period.

9 Legal Text

Legal Text and Text Commentary

The Legal Text has been provided by National Grid NTS and published alongside this report.

10 Consultation

Panel invited representations from interested parties on 01 December 2022. All representations are encompassed within the Appended Representations section.

The following table provides a high-level summary of the representations. Of the 7 representations received 4 supported implementation and 3 provided comments.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives
Corona Energy	Comments	a) negative b) positive
ENGIE	Support	a) positive b) positive
National Grid NTS	Support	a) positive b) positive
Northern Gas Networks	Support	a) positive b) not provided
SEFE Energy	Support	a) positive b) positive
SGN	Comments	a) positive b) positive

Wales & West Utilities	Comments	Not provided
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Please note that late submitted representations will 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 0833 (Urgent) would enable National Grid NTS to effect Gas Demand Side Response (DSR) trades with Users that do not have access to the On-the-Day Commodity Market (OCM); and correct two drafting oversights from UNC0822 – *Reform of Gas Demand Side Arrangements*.

Panel Members considered the representations made noting that, of the 7 representations received, 4 supported implementation and 3 provided comments. In addition, one late representation was received which provided comments. All consultation representations are appended to this FMR.

All Panel Members agreed with respondents and the Proposer that this Modification would widen the opportunity for shippers to engage with the voluntary Winter DSR arrangements and that this Modification further enhances the DSR reforms introduced through UNC Modification 0822.

The Proposer confirmed that the Modification had been raised in response to very recent requests from Shippers who have multiple entities (trading vs retail) to allow their participation.

One respondent noted that an Ofgem decision before the DSR bid submission deadline on 09 December would be particularly helpful, Panel Members agreed with this statement.

Ofgem confirmed that a decision on the Modification is likely to be received on 08 December 2022.

Issues raised in consultation responses:

- Some Panel Members confirmed that the Modification makes simple changes and corrects drafting oversights which could have been identified had the original Modification 0822 gone to Workgroup in October. The use of Urgency has meant unnecessary added time and expense in relation to both Modifications 0822 and 0833.
- National Grid confirmed its extensive stakeholder engagement prior to raising this Urgent Modification 0833. Engagement was with the following parties: a) Priority Group - I&C shippers, large gas consumers and their associations b) Commercial impacts - all shipper groups via the funding arrangements. Engagement included:
 - Bilateral calls with I&C shippers and large industrial associations to explore the ‘problem statement’ in late June / early July 2022.
 - Dedicated, extra-ordinary Transmission Workgroup sessions on 14 and 18 July 2022 prior to raising Urgent Modification 0822.
 - Sessions with large gas consumer representatives and their associations on 15 July to explain proposed thinking on DSR reform and seek feedback.
 - Surveyed large industrial consumers about DSR in August 2022 and November 2022.
 - Updates provided to Transmission Workgroup.

- Sessions with I&C shippers and industrial consumers / stakeholders on 20 September 2022 and 30 September 2022 to explain Modification 0822 outcomes.
 - Presentation at MEUC conference to explain the reforms post 0822 decision.
 - Webinar on 10 November 2022 to explain the reforms and seek views on likely participation and remaining barriers.
 - Joint webinar with ICE Endex (Intercontinental Exchange) on 23 November as a refresher for shippers on how to submit DSR Market Offers on the OCM.
- A consultation on the DSR methodology was carried out by National Grid on 01 December 2022 for one day. This was following an Ofgem derogation from the National Grid licence to enable this short consultation.
 - A Panel Member suggested that the UNC Modification Process offers a rigorous process for stakeholder engagement and did not agree that the bilateral processes were an adequate substitute for the UNC process.
 - A Panel Member asked National Grid for comment around the potential for another Urgent Modification related to this topic[†] which was covered at Transmission Workgroup on 01 December 2022. The Proposer confirmed this is a possibility which will provide an extension to the process (D-5 DSR) to broaden the access to DSR through changes to the lead time offered (as referred to in Ofgem's decision letter for 0822 available here: <https://www.gasgovernance.co.uk/0822>).
 - Some Panel Members expressed concern that a lack of impact assessment means further issues with the DSR scheme may still need to be addressed.
 - Some Panel Members were of the view that Urgency should not have been applied for where the scheme is voluntary and may yet have no impact on the matter it is aimed at solving.
 - Some Panel Members believed a mandatory scheme may have had more justification for Urgency.
 - Some Panel Members noted that some Parties are not set up to provide the 24/7 response required for participation in the scheme. The liabilities on participating Shippers are not felt to be proportionate. Some believe that these voluntary DSR arrangements would be better managed bilaterally between National Grid and consumers. National Grid could have adjusted its position and licence to allow it to contract directly with relevant consumers.
 - National Grid as Proposer noted that the offer price is set by Shippers who can reflect the costs they will bear, should they wish to participate.
 - Some Panel Members noted that Shippers are not always in a position to make DSR offers on behalf of all consumers who wish to participate, so bilateral arrangements could be welcomed. Electricity arrangements already offer these provisions.
 - Some Panel Members remained concerned that there are some outstanding issues with notification processes between National Grid and DNOs, which were raised as a result of Modification 0822 and still

[†] Further to the pre-Modification discussion in relation to a D-5 DSR scheme held at the Transmission Workgroup meeting on 01 December 2022, National Grid wishes to offer the industry a further opportunity to discuss the proposal in more detail ahead of any UNC Modification Proposal being raised. A draft proposal will be circulated on 07 December 2022. The meeting will be held via Teams at 14:00 on Thursday 08 December 2022, for which registration is via the Eventbrite link (<https://www.eventbrite.com/e/d-5-gas-demand-response-scheme-tickets-482295297217>)

continue regarding Shipper's participation in the scheme. This has yet to be resolved and is exacerbated by Modification 0833.

- National Grid referred to its DSR methodology consultation process as detailed above (and here: <https://www.nationalgrid.com/gas-transmission/balancing/demand-side-response-dsr>) and if the proposed changes are approved by the Authority, it will include DN notification measures. National Grid offered reassurance that sites and volumes would be included in the notifications within appropriate timescales. This will be discussed offline.
- Correspondence with the IGT UNC has confirmed that an IGT Modification is needed for this Modification and for Modification 0822. A Proposer has yet to be found to raise either Modification.
- A Panel Member requested reassurance that IGT Parties would be included in this process. There is some confusion as to whether it is currently possible for IGT Parties to participate. Some discussion took place amongst Panel Members as to whether a site connected through an IGT would currently be able to participate and whether this constitutes a potential competition issue. Panel Members expressed concern at the potential for a negative impact on competition and asked for Ofgem's consideration of this. National Grid confirmed it is not able to raise an IGT Modification.
- A late representation was received from ICoSS noting that this change to DSR was being discussed in early July, and now 2 Modifications (with the potential for a third on D-5 DSR) have all been raised at the last minute which is not something that should become a habit in the change process. (The ICoSS representation is appended with other representations in Section 13 Appended Representations)

The CDSP has confirmed that this Modification is not expected to change the CDSP process implemented for Urgent Modification 0822. It is expected that the CDSP will invoice the option payments and any penalty charges for the DSR process in the way set out under Modification 0822. As detailed under Modification 0822, based on the expected volumes, the CDSP advised that this could be managed via existing processes and resource. This is still the case for Modification 0833, unless volumes significantly increase (which is not anticipated).

Based on this, the CDSP is not expecting to raise a new DSC Change Proposal for this Modification as the process is already in place as a result of Modification 0822.

Some Panel Members wished to highlight the extremely short consultation period (one and one half day) available for this Modification. The Proposer noted that the timescales of the live DSR process have driven the timing of the Modification.

The Head of the Joint Office confirmed that governance guidance was given during the short Critical Friend period allowed and did not recommend such a short consultation.

Consideration of the Relevant Objectives

Some Panel Members considered Relevant Objective a) *Efficient and economic operation of the pipe-line system*, agreeing that implementation would have a positive impact because the Modification is designed to encourage further voluntary curtailment and thus mitigate the risk of supply shortages escalating to a GDE.

A Panel Member believed the liabilities on Shippers are not proportionate and for that reason believed implementation would be negative for Relevant Objective a).

Some Panel Members considered Relevant Objective (b) *co-ordinated, efficient, and economic operation of (i) the combined pipeline system and/or (ii) the pipeline system of one more other relevant gas transporters*, agreeing that implementation would have a positive impact because the Modification is designed to encourage further voluntary curtailment and thus mitigate the risk of supply shortages escalating to a GDE.

Some Panel Members considered the Modification may be neutral in terms of its impact on Relevant Objective b) through lack of clarity relating to communication with DNOs.

Some Panel Members believed the Modification is positive for Relevant Objective 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*. This is because the Modification allows additional Parties to participate in the DSR process.

Some Panel Members believed the Modification is positive for Relevant Objective f) *Promotion of efficiency in the implementation and administration of the Code* because it corrects drafting errors relating to visibility of DSR Market Offers before a GBN is issued and the units applicable to a DSR Option Price.

Determinations

Panel Members voted with 11 votes in favour (out of a possible 12) and agreed to recommend implementation of Modification 0833 (Urgent).

12 Recommendations

Panel Recommendation

Panel Members recommended that Modification 0833 (Urgent) should be implemented.

13 Appended Representations

Representation – Corona Energy

Representation – ENGIE

Representation – National Grid NTS

Representation – Northern Gas Networks

Representation – SEFE Energy

Representation – Scotland Gas Networks Ltd and Southern Gas Networks Ltd

Representation – Wales & West Utilities

Late Representation - ICoSS

Representation - Draft Modification Report UNC 0833 (Urgent)

Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions

Responses invited by: **5pm on 02 December 2002**

To: enquiries@gasgovernance.co.uk

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

Representative:	Dan Fittock
Organisation:	Corona Energy
Date of Representation:	01 December 2022
Support or oppose implementation?	Comments
Relevant Objective:	<p>a) Negative</p> <p>b) Positive</p>
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

Corona Energy continue to support the principle of the proposed Gas DSR arrangements, however we are disappointed that the Proposer has not taken into consideration the feedback from both Corona Energy's consultation response and the subsequent Panel discussions regarding the applicability of urgency from Modification 0822.

In our response to 0822 we expressed our concerns that the Modification had been raised as urgent even though the proposed Gas DSR scheme was purely voluntary for Shippers, and the lack of any Workgroup consideration resulted in no detailed impact assessment being undertaken.

It appears that as a result of gaps in the solution stemming from the urgent approach taken for 0822, 0833 being raised to fix these gaps that would have been identified if 0822 had followed the usual Modification process - adding both time and expense to a voluntary scheme that some Shippers will not be choosing to adopt for Winter 2022.

We remain cognisant that the intent of both 0822 and 0833 is to aid in the management of voluntary pre NGSE load shedding arrangements, but we maintain (as per our response to 0822) that at a time when Shippers are experiencing significant commercial pressures we do not believe that the liabilities on the Shipper are reflective of the potential benefits and thus would have a negative impact on Relevant Objective A.

Additionally, the use of the urgent Modification process for 0833 means that a detailed impact assessment has still not been undertaken for the Gas DSR scheme and we have concerns that this may result in additional urgent or non-urgent Modifications being raised to fix any other gaps in the Gas DSR solution, all at additional cost to the industry.

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

N/A

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

We maintain that liability impacts to Shippers have still not been adequately assessed. Additionally we have concerns that the lack of a Workgroup assessment will result in further consequential Modifications at further cost to industry for a purely voluntary DSR scheme that may have minimal impacts to NGSE arrangements.

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

N/A

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

This Modification has been raised due to omissions from 0822 that would have been achieved if the original Modification did not follow the urgent process. The same risks due to a lack of Workgroup assessment are applicable to 0833.

Please provide below any additional analysis or information to support your representation

N/A

Representation - Draft Modification Report UNC 0833 (Urgent)

Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions

Responses invited by: **5pm on 02 December 2022**

To: enquiries@gasgovernance.co.uk

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

Representative:	Phil Broom
Organisation:	ENGIE Gas Shipper Limited
Date of Representation:	1/12/2022
Support or oppose implementation?	Support
Relevant Objective:	a) Positive b) Positive
Relevant Charging Methodology Objective:	Not Applicable* <i>delete as appropriate</i>

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We support the change as this widens the opportunity for shippers to engage with the Winter DSR arrangements. If this modification is not implemented there is a risk that user participation is curtailed unnecessarily.

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

A decision before the DSR bid submission deadline on 9th December would be particularly helpful.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

No comment.

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

Yes.

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

No.

Please provide below any additional analysis or information to support your representation

No further comments.

Representation - Draft Modification Report UNC 0833 (Urgent)

Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions

Responses invited by: 5pm on 02 December 2022

To: enquiries@gasgovernance.co.uk

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

Representative:	Matthew Newman
Organisation:	National Grid NTS
Date of Representation:	02/12/22
Support or oppose implementation?	Support
Relevant Objective:	a) Positive b) Positive
Relevant Charging Methodology Objective:	Not Applicable* <i>delete as appropriate</i>

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

As proposer of this Modification, National Grid NTS (NGG) supports its implementation. NGG believe that the proposed changes to the Non-Trading System Transactions to make them compatible with DSR Offers further enhances the DSR reforms introduced through UNC Modification 0822.

If implemented, UNC0833 could allow NGG to gain access to additional DSR volume during a period of potential supply tightness which would not otherwise be available, thus reducing the likelihood, severity and duration of a Gas Deficit Emergency (GDE).

We believe Relevant Objectives a) “Efficient and economic operation of the pipe-line system” is furthered by this Modification, which is designed to encourage further voluntary curtailment and thus mitigate the risk of supply shortages escalating to a GDE. Should the Network Emergency Coordinator (NEC) declare an GDE and it progresses through to a Stage 2 Emergency, compulsory firm load shedding may commence which would result in disruption and inefficiency in the operation and use of the pipe line system as some parties would be prevented from taking gas.

Relevant Object 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” is also furthered by this Modification due to its mitigation of a GDE being declared. If such an event occurred, in addition to firm load shedding on the NTS, Gas Distribution Networks may be given instructions to implement the shedding of firm loads within their networks resulting in disruption and inefficiency at LDZ level too.

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

Implementation should be on the next business day following the Authority decision to give certainty to parties that may wish to participate in the invitation to offer.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

N/A

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

Yes

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

No errors or omissions have been identified. However, due to the nature of Urgent Modifications and the reduced timescales associated to them, it is possible for errors, omissions or unintended consequences / impacts to become apparent at a later point. However, having worked with the relevant shippers to explore other options, NGG has been unable to identify an alternative route for implementation of this change to access additional DSR volumes outside of the OCM in the timescales we are working towards.

NGG are aware of the provisions of the Modification rules in respect of Urgent Modifications and would support a post-implementation discussion in the relevant workgroup and or panel. If any errors are identified these can be rectified following these discussions.

Please provide below any additional analysis or information to support your representation

N/A

Joint Office

Enquiries@gasgovernance.co.uk

2nd December 2022

Dear Joint Office,

Re: 0833 (Urgent) - Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions

Thank you for the opportunity to provide representation on the above noted Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change.

NGN Supports this Modification Proposal, with additional comments.

Reason for support

We support the need for this modification and its intended outcomes as it adds clarity to the UNC in relation the Demand Side Response, and we recognise the benefit to industry this has as a tool to reduce the risk of a Gas Deficit Emergency. This would therefore be positive for relevant objective (a) *efficient and economic operation of the pipeline system*.

Implementation:

As this is under Urgency timelines, this should be implemented on a timeline as stated by Ofgem.

Impacts and Costs:

None identified.

Legal Text:

Due to the urgency timelines, we have not had time to review the legal text.

Are there any errors or omissions in this Modification Report that you think should be taken into account?

The modification appears to make no reference to any mechanism to inform the relevant Distribution Network (DN) of sites that have taken up the DSR product, information that could be required in the event of a Gas Deficit Emergency. Without this information DNs will be unaware whether the Firm Load Shedding order of sites is impacted or may over account for the impact of a site's reduction, due to being unaware that its load is already reduced.

We note that this concern was raised during consultation relating to 0822 (Urgent) - Reform of Gas Demand Side Response Arrangements, and whilst this may not be something that requires inclusion in the legal text (business rule ii), we would at least have expected to have these discussions to have taken place between DNs and NTS, the management of this referred to under system impacts or the 'How' section of the modification proposal.

Please provide below any additional analysis or information to support your representation

This proposal includes amendments due to drafting oversights as a result of 0822U being under urgency timelines. We therefore would have preferred to have these issues managed again via workgroup discussion to review the

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Service on 0800 111 999

original modification and the amendments proposed under this, 0833 modification, rather than again under an urgent timeline.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

Tracey Saunders (via email)

Market Services Manager

Mobile: 07580 215 743

Smell gas?

Call the National Gas Emergency
Service on 0800 111 999



1100 Century Way
Thorpe Park Business Park
Colton, Leeds LS15 8TU



0113 397 5300



northerngasnetworks.co.uk

**we are
the network**

Representation Draft Modification Report

Modification UNC 0833 (Urgent) Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions

1. **Consultation close out date:** 2nd December 2022
2. **Respond to:** enquiries@gasgovernance.co.uk
3. **Organisation:**
SEFE Energy
5th Floor
8 First Street
Manchester
M15 4RP
4. **Representative:**
Steve Mulinganie
Regulation Manager
stevemulinganie@sefe-energy.com
0799 097 2568
5. **Date of Representation:** 2nd December 2022
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:**
We support implementation of this Modification as it removes an obstacle for certain industry parties thus enabling them to be able to participate in the voluntary scheme.
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
10. **Relevant Objectives:**
How would implementation of this modification impact the relevant objectives?
We **agree** with the proposer that this modification is positive in respect of Relevant Objective(s) (a) and (b)

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 which simply enables broader participation in DSR.

12. Implementation:

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

ASAP

13. Legal Text:

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

We **have not** reviewed the Legal Text provided.

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

We believe a fuller review of DSR is required ahead of next winter. In particular the relevance of the Shipper role, which is largely facilitatory, in the DSR product. We believe these voluntary DSR arrangements would be better managed bi-laterally between NGrid and Consumers.

Representation - Draft Modification Report UNC 0833 (Urgent)

Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions

Responses invited by: 5pm on 02 December 2022

To: enquiries@gasgovernance.co.uk

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

Representative:	David Mitchell
Organisation:	Scotland Gas Networks Ltd and Southern Gas Networks Ltd
Date of Representation:	02/12/2022
Support or oppose implementation?	Comments
Relevant Objective:	a) Positive b) Positive
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

SGN supports the rationale of this modification, however we would like to point out that GDN's need to know when a DSR has been invoked so that we are able to reduce our intake rates to an appropriate level.

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

We support the implementation timescales proposed in the modification.

Impacts and Costs: What analysis, development and ongoing costs would you face?

Due to the short timescales, we have not had time to assess if there will be any impacts or costs to our business.

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

We are satisfied with the legal text.

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

None identified.

Please provide below any additional analysis or information to support your representation

We have no additional comments due to the short timescales to review the modification.

Representation - Draft Modification Report UNC 0833 (Urgent)

Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions

Responses invited by: **5pm on 02 December 2002**

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:	01.12.22
Support or oppose implementation?	Comments
Relevant Objective:	
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

Given the very short consultation period we have not been able to have a full internal review of our response.

National Grid should consider how DSR amendments are communicated to DNs. This was highlighted during discussions of Mod 822, Reform of Gas Demand Side Response Arrangement.

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

We support the proposed implementation date.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

There will be some impact on our control room processes as some new information flows between National Grid and DNOs are required.

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

We have not looked at the legal text.

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

Some missing detail needs to be developed outside the modification process.

Please provide below any additional analysis or information to support your representation

There are two issues:

First, how National Grid Gas notifies DNOs that a site is participating in Demand Side Response including when DSR is activated. The DNO needs to know this as it needs to submit accurate demand forecasts to National Grid as part of the usual processes and also because it needs to know the position in case the situation deteriorates into a Gas Supply Emergency.

Second, should the situation deteriorate into a Gas Supply Emergency clear communication will be required between parties involved in Demand Side Response and any subsequent load shedding isolation by the DNO. There may be a scenario where firm load shedding or isolation instigated by the DNO means that when DSR is lifted the site needs to remain off gas. It will be essential that all parties are fully informed about the situation to ensure that the site only starts taking gas when it is safe for them to do so. We need to ensure that processes and communications are clear in this respect.

We have already communicated with National Grid on the above two point and raised the first one shortly after 0822 was published.

Rebecca Hailes
UNC Panel Secretary
rebecca.hailes@gasgovernance.co.uk

6 December 2022

ICoSS letter regarding UNC Modifications 0822 & 0833

The Industrial and Commercial Shippers and Suppliers (ICoSS) group is the trade body representing non-domestic industrial and commercial (I&C) suppliers in the GB energy market¹.

We are writing regarding the management of the recent reforms to the Demand Side Response (DSR) arrangements. It is understandable that any changes to the DSR regime would need to be in place prior to the commencement of winter and we do note that discussions to that end commenced in early July. A draft formal change to amend the UNC (UNC Modification 0822) was not provided until 22 August 2022 to the Transmission Workgroup, however. The change was then required to complete the change process through the urgency route, so as to be in place for 1 October 2022.

It is concerning that UNC Modification 0822 has required a subsequent change, UNC Modification 0833, to be raised at such short notice to correct what appear to be significant deficiencies in the solution. We are now aware that a third, urgent change is now also being developed. It is our view that these problems may have been avoided if industry parties had been allowed to subject UNC Modification 0822 to more rigorous assessment.

We appreciate that the UNC Panel's ability to influence the urgency process, in particular when a formal change is raised by a UNC party and whether urgency is granted by the regulator, is limited. It is clear in this case that the use of the urgency process for these changes has resulted in a poor outcome. Urgent changes tend to result in sub-optimal solutions and should not be expected to provide the most robust solution.

Any changes to the UNC should have been raised considerably earlier. Consideration of the formal changes required to deliver the solution should also have been central to the discussions held earlier this year by the proposer with the industry.

We hope that in future that such important and potentially complex proposals are raised in good time to ensure sufficient scrutiny by the industry. Rushed changes to the UNC regularly do not create the best solution and expectations of parties being able to respond to such changes should be lowered as a result. We would encourage the UNC Panel to ensure that wherever possible the industry is given sufficient time to collectively assess any change and that proposers are reminded in the value in doing so.

Yours sincerely



