

UNC Panel Chair, the Joint Office,
relevant Gas Transporters, Gas
Shippers, and other interested
parties

Email: industrycodes@ofgem.gov.uk

Date: 1 December 2022

Dear Wanda and colleagues,

UNC modification proposal UNC833: 'Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions' – decision on urgency

We¹ have received a request from National Grid NTS ("NGG", "The Proposer") that Uniform Network Code ("UNC") modification proposal UNC833: 'Enabling DSR Market Offers to be made by Non-Trading System Transactions'² ("UNC833") should be given urgent status and follow expedited modification procedures. This letter confirms that we have agreed to that request and sets out the timetable under which the modification will proceed.

Background

Gas Demand Side Response ("DSR") arrangements provide a mechanism for large consumers of gas to offer to reduce their demand in return for a payment during times of system stress. On 14 October 2022, Ofgem approved UNC822 which introduced updates to the DSR tool.³ The new rules enable Users⁴ who have a DSR options offer accepted by NGG

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem', 'the Authority', 'we', 'our' and 'us' are used interchangeably in this letter.

² Modification proposals are available at <https://www.gasgovernance.co.uk/livemods>

³ Our decision on UNC822: <https://www.ofgem.gov.uk/publications/unc822-reform-gas-demand-side-response-arrangements-decision>

⁴ User": for the purposes of these Rules, references to a User:

(a) in the context of an Individual Network Code Modification Proposal, includes
(i) a Relevant Shipper;

to post a DSR Market Offer in respect of the relevant consumer on the On-the-day Commodity Market (OCM) DSR Locational Market. The offer is triggered either by a Margins Notice or a Gas Balancing Notification⁵ ("GBN"). Since the implementation of UNC822, NGG 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 observed by NGG 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. NGG have also identified drafting oversights in UNC822 including issues on visibility and units for the DSR options Price.

The modification proposal

UNC833 would enable NGG and Users to make DSR Locational Market Transactions as Non-Trading System Transactions (i.e., as 'over-the-counter' trades). The Proposer states that this is to allow Users who don't have access to the OCM to participate in D-1 trades as specified in UNC822.

It also proposes to modify the UNC to:

1. Allow NGG to enter into Non-Trading Systems Transactions with Users in relation to a Day on which a Margins Notice is in force, as well as a GBN;
2. Allow NGG and Users to have visibility of DSR Market Offers during a Voluntary DSR Period (which post implementation of UNC822 may be triggered either by a Margins Notice or GBN); and
3. Amend the units in which DSR Option Prices are submitted from p/kWh to p/kWh/day.

UNC Modification Panel View

We have not on this occasion sought a formal UNC Panel view on the proposal, as allowed for under paragraph 10.1.1(b) of the Modification Rules.⁶ We consider that the need to take swift action is justified.

(ii) a Trader User;
(iii) in the context of the definition of Relevant Transporter, sub paragraph (b), a DNO User; and
(b) in all other contexts excludes a DNO User
[6966731.11 \(gasgovernance.co.uk\)](http://6966731.11.gasgovernance.co.uk)

⁵ A Gas Balancing Notification is issued at NGG's discretion in advance of or during a gas day if a significant supply/demand event is experienced which instigates a material risk to the physical end-of-day balance.

⁶ UNC Modification Rules: www.gasgovernance.co.uk/sites/default/files/Modification%20Rules_13.pdf

Authority Decision

We have considered the Proposer's justification for urgency for the modification proposal and assessed the request against the urgency criteria set out in Ofgem's published guidance.⁷ The guidance sets out the factors that we will consider in reaching a decision on urgency in the context of industry code modification proposals – it is intended to be illustrative and not exhaustive. Each request for urgency will be considered on its merits on a case-by-case basis by reference to our guidance, and in circumstances where we depart from it, we will explain the reasons why.

In general, we consider that an urgent modification should be linked to an imminent issue⁸ or a current issue that, if not urgently addressed, may cause a:

- i. significant commercial impact on parties, consumers or other stakeholder(s); or
- ii. significant impact on the safety and security of the electricity and/or gas systems; or
- iii. party to be in breach of any relevant legal requirements.

The Proposer considers that this proposal satisfies the urgency criteria as it is linked to a current issue that may cause a significant commercial impact on GB gas market participants. NGG states that gas DSR has the potential to be a valuable pre-emergency tool to reduce the likelihood and minimise the severity and duration of a gas deficit emergency (GDE). They consider that enabling DSR Market Offers to be made by Non-Trading System Transactions as set out in UNC833 should enable Users who are currently prevented from participating to do so, increasing participation in DSR this winter. NGG note that the current NTS DSR tender process closes on 9 December 2022 and this modification is required urgently to enable all Users to participate in this tender. We note that the Proposer has attempted to resolve this issue via three different routes before raising this Urgent modification.

We agree that it is appropriate to consider options to ensure that DSR works as efficiently as possible for this Winter. We recognise that the NTS DSR tender process is already open and understand that further enhancements via UNC833, could provide valuable demand reduction, preventing or lessening the impact of a GDE. Therefore, we consider it appropriate to shorten the timetable to allow any changes, if approved, to be in place for this winter and before the current tender process ends, allowing more Users to participate.

⁷ Ofgem Guidance on Code Modification Urgency Criteria: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>

⁸ The imminent issue may be date related.

We are satisfied that the progression of this modification proposal and the need to take prudent steps to improve the DSR tool is *"a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s)"* and have therefore agreed that the modification proposal should follow the urgent timetable as set out below.

Process	Date
Ofgem Decision on Urgency	1 December 2022
Modification Proposal issued for consultation	1 December 2022
Consultation Close-out for representations	2 December 2022
Final Modification Report available for Panel	6 December 2022
Modification Panel recommendation	7 December 2022
Final Modification Report issued to Ofgem	7 December 2022

The short timeframe is necessary to ensure that implementation (if approved) aligns with the current DSR tender (closing on the 9 December). We note that this leaves a short window for consultation. We note the industry engagement that NGG has conducted to date with both UNC parties and representatives from large manufacturing industry to inform the development of UNC833.⁹ All possible efforts should be made to ensure that the time is used well, that stakeholders who might otherwise experience difficulty engaging in the consultation are proactively approached, and that the analysis, which should consider the consequences of the proposed changes on all relevant stakeholders, is sufficient to properly inform a Panel vote and an Ofgem decision.

Industry parties should not assume that a modification raised at such a late stage will be granted urgent status and should make every possible effort to bring forward proposals at an early stage, and ensure proposals that are brought forward fully consider the issue at hand to avoid as far as possible the need for follow-up modifications. We encourage longer-term development of the DSR tool, at an appropriate pace that facilitates a longer consultation process to ensure DSR is an effective tool.

In reaching our decision on urgency, we have made no assessment of the proposed modification and nothing in this letter in any way fetters the discretion of the Authority.

Yours sincerely,

⁹ [0833 - Enabling Demand Side Response \(DSR\) Market Offers to be made by Non-Trading System Transactions | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)

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