

Representation - Draft Modification Report UNC 0685

Amendment of the UNC term 'Gas Deficit Warning' to 'Gas Balancing Notification'

Responses invited by: 5pm on 21 May 2019

To: enquiries@gasgovernance.co.uk

Representative:	John Costa
Organisation:	EDF Energy
Date of Representation:	21 May 2019
Support or oppose implementation?	Oppose
Alternate preference:	
Relevant Objective:	<p>a) Negative</p> <p>e) Negative</p>

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

It is not clear whether this modification is warranted or will further any of the Relevant Objectives (RO) for the reasons and facts below. There is little evidence in the modification to support the assertion that gas prices were higher than if the GDW name was different and discussions with the gas industry in UNC669r "Review of GDW and Margins Notice (MNs) Arrangements" have not concluded this was the case or that it needed changing. Indeed, the majority view there was that the GWD did exactly what it was supposed to do.

As we understand it, on the 1st March 2018 GB's gas market came closer to a "Gas Deficit Emergency" (terminology in the UNC) than at any other time in its history.

Following the Beast of the East storm on 1 March 2018 National Grid raised UNC669r to establish learning from this including processes around Margins Notice. We understand that National Grid will soon be raising a modification with a new more robust MNs methodology so we consider this modification UNC685 premature until the broader conclusion of the review are understood. The 1st March 2018 was the first and only time the GDW has been used and therefore difficult to draw definitive conclusions but we also believe that constantly changing these notifications may confuse the market as to what situation (Balancing or Deficit) they really reflect.

Also, it's worth noting that EU gas markets were also very tight and many issued "gas warnings" during that period¹. GB alerts need to be consistent with these to ensure gas flows to the right markets on those days to ensure that consumers aren't unnecessarily at risk of disconnection.

For these reasons we believe that on balance this modification will not further any RO and could actually worsen them as the GDW did exactly what it was designed to do (ensured gas supplies replenished a heavily depleted system as quickly as possible) at reasonable prices. Therefore dampening the message² could play down the significance of such an event thereby increasing Security of supply risk (ROe) and efficient system operation (ROa) and cannot be implemented without some supporting evidence/ data to support the assertions made.

Finally, there has unfortunately been no official report into the events of the 1st March, which given its severity and potential impact on GB consumers and economy is disappointing. Such a comprehensive report could have highlighted any shortcomings of the current regime in a transparent manner and identified actions needed including any UNC changes. UK's offshore gas supplies are declining at a fast rate along with the level of resilience due to aging infrastructure, some of which is more than 40 years old. It is important that any change to the gas arrangements and alerts are well thought through and justified to support improved resilience and security of supply.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

We agree it should go to the Authority for a decision as it could have a material impact on consumers and security of supply.

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

Given the lack of justification for this proposal and overwhelming evidence to suggest it will worsen the GB gas market in the interest of consumers we don't believe it should be implemented any time soon if it were to be implemented.

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

The industry will face some costs from the changes/ contracts impacted below:

- National Grid's website will need to be updated where GDW is referenced
- National Grid, the NEC and shipper procedures will need to be updated to reflect the name change.
- ANS messages procedures might need to change
- National Grid licence change is required.

¹ Italy and Denmark declared an early warning situation... United Kingdom, Sweden and Ukraine announced different gas deficit early warnings. https://www.entsog.eu/sites/default/files/2018-10/SO0021-Winter%20Review%202017-18_0.pdf

² UNC685 asserts that gas prices were too high in response to the GWD and so by changing it to GBN it must believe prices will be dampened.

- Customer supply contracts may need to be updated where this notice may trigger interruption clauses etc.

If implementing this modification decreases SoS from confusing the market then likely to lead to more cost to consumers.

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.*

There is a distinct lack of analysis and supportive evidence to support the assertions for changing such an important market notification.

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

Other than the facts and figures stated above we do not have additional analysis as no official report has been produced following the Beast from the East event that led to the Gas Deficit Warning being issued.