

To: UNC Panel Members

18th July 2023

Gas Demand Side Response: Consultation Outcomes

Dear UNC Panel Members,

As you are aware, the Final Modification Reports for UNC0844 and UNC0845 are scheduled for consideration at the Panel meeting this Thursday 20th July.

The purpose of this letter is to inform Panel members that NGT has run two other consultations in parallel with the 0844 and 0845 consultations such that the UNC Modifications could be implemented (if the Authority so directs) in time for the launch of the DSR options tender at the end of August. One of the other consultations related to changes regarding NGT's [DSR Methodology](#) document and the other consulted on the draft [DSR Contract](#) that would apply between NGT and consumers, should 0844 be implemented and NGT subsequently accept DSR option offers made directly by consumers.

As proposer of 0844 and 0845, I thought it would be useful for Panel members, ahead of their deliberations on the Final Modification Reports for 0844 and 0845, to be aware of the outcomes of these two other consultations.

No responses were received in respect of the DSR Methodology consultation.

Two responses were received in respect of the draft DSR contract. The first was from SEFE Energy, appended to its 0844 consultation response, which questioned whether certain clauses were relevant to a consumer, whether the circumstances under which NGT would not exercise the option were complete, whether the use of facsimile is still relevant and whether the confidentiality clause enables consumers to advise both existing and potential shippers and suppliers of the existence of DSR arrangements.

The second was a confidential response from a consumer. This respondent considered that the penalty regime and credit requirements are an obstacle to its participation and drew comparisons to the Electricity Demand Flexibility Scheme where there is no equivalent penalty or credit requirement and to the Electricity Capacity Market where no credit requirements exist for proven assets. This respondent further considered the proposed penalty regime to be harsh, whereby a 1 kWh breach could put at risk the entire winter's option payment plus a 10% penalty and that application of an average over multiple events is an unlikely mitigation if the likelihood

of DSR being called is low. This respondent suggested that repayment of the option fee contained to the month of the breach with no premium would be a more suitable approach.

Our next steps in respect of these two documents are to:

- Issue our DSR Methodology Consultation Report to Ofgem this week, following which it will be published on our [DSR Webpage](#);
- Consider the DSR Contract consultation responses and publish our responses on our [DSR Webpage](#); and
- If the Authority directs implementation of the DSR Modifications, publish the final version of the DSR Contract also on our DSR webpage.

Yours faithfully

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