

**UNC Workgroup 0845 Minutes  
Enhancements to Demand Side Response (DSR) Arrangements  
including a D-5 Product  
Thursday 04 May 2023  
via Microsoft Teams**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Benjamin Cull	(BC)	Department for Energy Security and Net Zero
Carlos Aguirre	(CA)	Pavilion Energy
David Mitchell	(DM)	Scotia Gas Networks
Eddie Proffitt	(EP)	Major Energy Users Council
Ellie Rogers	(ER)	Xoserve
Hannah Reddy	(HR)	Correla on behalf of Xoserve
James Lomax	(JL)	Cornwall Insight
Jeff Chandler	(JCh)	SSE
Julie Cox	(JCx)	Energy UK
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJ)	RWE
Lucy Manning	(LM)	BP
Marion Joste	(MJ)	ENI
Maryam Khan	(MK)	Ofgem
Ore Ogundipe	(OO)	Interconnector
Phil Hobbins	(PH)	National Gas Transmission
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Shiv Singh	(SS)	Cadent
Steve Mulinganie	(SM)	SEFE Energy Ltd
<p><i>This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.</i></p> <p><i>The Workgroup Report is due to be presented at the UNC Modification Panel by 15 June 2023.</i></p> <p><i>Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <a href="https://www.gasgovernance.co.uk/0845/040523">https://www.gasgovernance.co.uk/0845/040523</a></i></p>		

## 1.0 Outline of Modification

The Proposer, P Hobbins (PH) presented the Modification, providing an overview of the current barriers with DSR, explaining this Modification had been raised as an output from Request 0835R, to:

- Extend the eligibility to enable Class 2 Consumer participation in gas DSR;
- Amend the determination of the quantity of demand reduction under a DSR Option;
- Enable DSR Option Offers to specify a maximum number of days on which the DSR Option could be exercised;

- Clarify the obligations of a User when a DSR Option is exercised;
- Provide greater optionality for Users and Consumers in the DSR Options tender process; and
- Enable National Gas Transmission (NGT) to procure DSR Options that may be exercised with a 5-day lead-time.

Please refer to the Modification published at: <https://www.gasgovernance.co.uk/0845>.

Please also refer to the presentation published at <https://www.gasgovernance.co.uk/0845/040523> for further details on the Workgroup topics discussed.

See items 2.1.1 and 2.1.2 for the Panel Questions discussed.

PH provided an overview of the potential number of sites which may participate from extending the eligibility to include Product Class 2 sites.

PH explained the 'reduce to' concept and the potential risks. Some members expressed concern with bids and reductions not matching and if the 'reduce to' creates ambiguity with the starting point and creates a perverse incentive. PH clarified the consistency and compatibility with the Renomination Rules and provided 3 options for reductions, including keeping the current 'reduce to' rule.

PH further explained Option 3, the difference between the prevailing nomination and what the site reduces to, where the starting point is determined by a historical average of daily demand. PH provided examples of the 'reduce to' arrangement, with timings and units for D-5 and D-1.

#### **Post Meeting Note:**

DSR Options in relation to the determination of the demand reduction quantity:

1. Modification 0845 disappplies UNCTPD D2.3 for exercised DSR options, including the PRI charge
2. Retain the current rule of reduction from lesser of prevailing nomination and tendered quantity for shipper DSR options and implement 'reduce to' for direct consumer contracting only.
3. Separate the assessment and exercise: for assessment determine the quantity based on the historical average demand and this is what the option is paid on. For exercise, the shipper/consumer needs to offer the difference between the prevailing nomination and the minimum quantity. NGT's preferred option.

D-5, NGT propose to assume the starting point equal to the historical average as there probably won't be a nomination available to use. For a shipper option, by D-1 the shipper needs to nominate equal to the historical average and post an offer on the OCM of the difference between the historical average and the min quantity. For D-5 direct contracting, the consumer just needs to offtake no more than their minimum tendered quantity.

A Workgroup member challenged the test of efficiency and the commitment requirements to reduce volumes and the certainty to deliver.

The Workgroup considered the complexities of the 'reduce to' and the option to bid a minimum quantity of gas to be used to facilitate a demand reduction.

PH explained the need to provide more flexibility by providing introducing more parameters, noting that this does bring more variables and complexity into the tender offer, assessment and exercise process.

The Workgroup considered any barriers with the Gas Act and EU Balancing Code. The conclusion was that the EU Balancing Code would not prevent the introduction of a D-5 product as a balancing service, and there were no barriers in the Gas Act. To deliver the D-5 product it was recognised there would be a Licence impact in relation to the circumstances under which DSR could be exercised. PH noted a derogation would be required to facilitate changes to the licence due to the timing of the changes.

Consideration was given to taking a decision as far out as D-5 with assumptions and forecasted data which may not transpire, and reductions may not be required on the day. The Modification included D-5 within the option tender for within-day D-1 products. The timings of accepting offers were considered and the trigger assessment.

A Workgroup Member challenged if there was a demand for the D-5 product.

As with Modification 0844 Rebecca Hailes (RHa) enquired if the Energy Balancing Credit Rules would need to be considered. PH believed as National Gas Transmission (NGT) is making payments to Users for releasing gas volumes, the DSR products would not have an impact on the Energy Balancing Credit Risk Management processes as this relates to the payment of User Energy Balancing Charges. RHa suggested that NGT should clarify with the Energy Balancing Credit Committee (EBCC) if there would be any direct or consequential impacts (UNC TPD Section X – Energy Balancing Credit Management) to avoid any new issues being raised during the consultation process for liability payments.

**New Action 0501:** NGT (PH) to explore if there are any potential credit balancing concerns or impacts to the Energy Balancing Credit Risk process rules and controls for Modification 0844 and 0845

## 2.0 Initial Discussion

### 2.1. Issues and Questions from Panel

#### 2.1.1. Consideration of communication arrangements with DNOs

PH proposed that the GDNs would be notified of consumers within their Network that have had the DSR option accepted through the current NGT DSR Methodology which already provides for GDNs to be notified of consumers subject to a DSR being exercised within their network.

#### 2.1.2. Does the Modification introduce any risk to end consumers?

PH clarified that as the DSR market grows the aggregate level of option payments is expected to increase. There was also a potential risk of consumers that are subject to within-day options 'front-loading' their offtake in a 'reduce to' regime.

### 2.2. Initial Representations

None received.

### 2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference will be published alongside the Modification at <https://www.gasgovernance.co.uk/0845>

## 3.0 Next Steps

Expected next steps:

- Amended Modification to reflect Workgroup discussions with Business Rules
- ROM Request from the CDSP (for invoicing aspects)
- Legal Text production

## 4.0 Any Other Business

None.

## 5.0 Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
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10:00 Tuesday 16 May 2023	Agreed later publication deadline of noon Friday 12 May 2023	Microsoft Teams	Detail planned agenda items: <ul style="list-style-type: none"> <li>• Amended Modification</li> <li>• Consideration of Business Rules</li> </ul>
10:00 Thursday 01 June 2023	5 pm Tuesday 22 May 2023	Microsoft Teams	Detail planned agenda items: <ul style="list-style-type: none"> <li>• ROM</li> <li>• Review of Relevant Objectives</li> <li>• Consideration of Wider Industry Impacts</li> <li>• Consideration of Legal Text</li> </ul>

0845 Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0501	04/05/23	1.0	NGT (PH) to explore if there are any potential credit balancing concerns or impacts to the Energy Balancing Credit Risk process rules and controls for Modification 0844 and 0845	June 2023	National Gas (PH)	Pending