

UNC 0835R

Mod Title: Review of Gas Demand Side Response Arrangements



Proposer: National Gas Transmission

Panel Date: 16th March 2023

Assessment on Gas Act, Bal Code and Licence

Views provided by National Gas Transmission to Workgroup on 2/3/23



- **Direct contracts between NGT and consumers**
 - Gas Act does not prevent (the shipper retains the role for '**arranging**' Transportation)
 - EU Balancing Code permits TSO to undertake balancing actions through either 'short term standardised products' OR use of 'balancing services'. BAL Code contains no restrictions on parties with whom a TSO may contract for 'balancing services'.
 - A Licence change would be required for Direct Contracting because it requires any party making a DSR offer to be a UNC party.
- **Other issues considered in the workgroup**
 - Residual role of the shipper incl (re)nominations
 - Need for standard conditions for contracts
 - Procurement and exercise mechanisms
 - Funding and payment (and invoicing) - CDSP would need more info to do analysis
- **Workgroup did not identify any fundamental objections to direct contracts**

Assessment on Gas Act, Bal Code and Licence

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- **Longer lead time DSR**

- No barrier identified in the Gas Act
- EU Balancing Code establishes principle that TSO is residual balancer - but residual does not constrain the TSO to balancing actions undertaken within-day and D-1. When short-term standardised products “*will not or are not likely*” to provide required response then TSO may use other balancing services.
- A Licence change would be required for a longer lead time DSR product because it currently allows the licensee to accept DSR offers **only** where a Gas Balancing Notification is in place or within stage 1 of a Gas Deficit Emergency*.

- Other issues considered in the workgroup

- What would be an appropriate lead-time?
- Trigger level (of forecast shortage) / uncertainty of requirement
- Execution method (‘reduce *to*’ rather than ‘reduce *by*’ amount?)
- Interaction with balancing incentives & potential market distortions

**UNC822 expands this to when a Margins Notice is in force which operates under a (temporary) derogation*

Other issues



- NGT view that volume of ~ 5mcmd of DSR is desirable (but does not want to constrain market)
- Workgroup view that cost for this would be >£5m
- Material (individual) responses from relatively few sites that operate 24x7
- Significant difference to electricity regime where the architecture of market has an established role for aggregators.
- Understanding invoicing arrangements may be key to enable CDSP impact assessment of delivery time

Timetable



- NGT set out draft timetable for review
- Workgroup comments that programme is 'do-able' if NGT brings forward mod proposals soon and Ofgem is able to reach decisions in time for winter implementation
- Interventions that are deliverable for winter 2023/24 should be identified and initiated asap, ahead of longer-term fixes (and could/should be done before 0835R concludes)
- JO has allocated more time in day to 0835 workgroup for meeting on 23/3.