

UNC Workgroup 0835R
Review of Gas Demand Side Response Arrangements
Thursday 23 March 2023
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Benjamin Cull	(BC)	Department of Energy Security Net Zero
Dan Stenson	(DS)	Brook Green Supply
Daniel Donovan	(DD)	Corella on behalf of Xoserve
Eddie Proffitt	(EP)	Major Energy User Council
Harry Hailwood	(HH)	Brook Green Supply
Louise Hellyer	(LH)	Total Energies
Maryann Khan	(MK)	Ofgem
Matthew Chandy	(MC)	Ofgem
Matthew Newman	(MN)	National Gas Transmission
Nick Wye	(NW)	Waters Wye Associates
Rebecca Steventon	(RS)	Department of Energy Security Net Zero
Phil Hobbins	(PH)	National Gas Transmission
Phil Lucas	(PL)	National Gas Transmission
Tracey Saunders	(TS)	Northern Gas

The Request Workgroup Report is due to be presented at the UNC Modification Panel by 18 May 2023.

This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.

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: <https://www.gasgovernance.co.uk/0835/230323>

1.0 Introduction and Status Review

Eric Fowler (EF) welcomed parties to the meeting.

1.1 Approval of Minutes (02 March 2023)

Approved.

1.2 Approval of Late Papers

EF noted the Workgroup Presentation published in support of the agenda items.

1.3 Review of Outstanding Actions

No outstanding actions for review.

2.0 Workgroup Recap

The Proposer, Phil Hobbins (PH) provided a brief recap from the previous Workgroup reflecting the feedback received and noting the key points. This focussed on:

- What is achievable for Winter 2023/24
- Enabling contracting with parties outside of the UNC. This could unlock access to additional DSR and address Shipper concerns about the current arrangements.
- Contracting with other parties (consumers, aggregators, suppliers) for DSR would not breach relevant legislation.
- Where contracting remains via the Shipper, incentives to participate should prevail rather than measures which would compel terms to be offered to interested parties.
- Concern if the need for a Shipper to renominate post DSR exercise which acts as a barrier.
- A D-5 product could deliver more DSR volume, however, the exercise trigger and value would be less clear than D-1 and within-day options.
- D-2, D-3 and D-4 DSR products are potential future enhancements.

Tracey Saunders (TS) asked for clarification on the Gas Distribution Network (GDN) communications when a Gas DSR has been activated. PH noted the need for communicating with DNs and reaffirmed that NGT will be engaging with the DNs to ensure the DN notification process meets the requirements and includes confirmation of the relevant sites involved and the quantity. TS explained that having the details of sites under option upfront will help with the DN modelling process. EF wished to note this will also need to be considered when considering the Aggregator Model. Commercial confidentiality was also considered.

A comparison to the electricity market was made and PH explained the differences between the balancing actions in the gas market.

It was reiterated that the Gas Act does not prohibit direct contracting.

3.0 Eligibility and Aggregation

Eligibility

PH explained that at present, a consumer must be class 1 (DMC) with an AQ of at least 2m therms per annum to participate in gas DSR, with a minimum offer size is 100,000 kWh, derived from the minimum trade size on the OCM.

Eddie Proffit (EP) noted that many companies can't currently participate in DSR as framed due to the need to gain derogation from the medium combustion plant directive and asked whether this is being looked at.

Ben Cull (BC) confirmed DESNZ are looking at the scope of the DSR and conversations are ongoing with other government departments about the inclusion of other customer classes and the minimum size of sites.

PH provided a table to illustrate the number of MPRNs in Product Class 1 and 2, the aggregate quantity and the average Annual Quantity. Concluding that an extension of eligibility to Product Class 2 would require a significant number of Class 2 sites to make a material balancing volume.

PH noted the issues which required further consideration which included:

- Extension of eligibility to Product Class 2 consumers
- Eligibility of Daly Metered CSEPs and sites connected to IGT Networks
- Validation of demand reduction
- Reduction in the minimum trade size
- The Aggregator role and contracting/execution models to enable multiple smaller sites to offer DSR.

Aggregation

PH explained the concept of aggregation, where a party contracts with both NGT and DSR service providers to facilitate a quantity of DSR to be offered and delivered by more than one

consumer. The advantage of this is it would enable parties to participate that would otherwise be excluded.

It was anticipated this would be limited to Daily Metered sites. Due to the system changes required, this would be a longer-term solution which required further exploration.

Phil Lucas (PL) provided a number of potential aggregator models with Shippers and where a party acts as an Aggregator. This included a scenario for an Aggregator to interact with a single Shipper and multiple Shippers. The pros and cons of each scenario were summarised. Scenario D an Aggregator working with multiple Shippers was the recommended preferred option to maximise the number of sites and keep the number of Aggregators to a minimum as this is most likely to add value to the role.

The Workgroup considered the multiple Shipper Aggregator interactions, communication channels with DNs and the potential complexities with information flows.

The Workgroup discussed the involvement of parties which are used for DN Modelling, the impact of this and which sites would be in scope.

PL provided a process flow diagram illustrating the current process execution compared to the potential process for the aggregator scenario. The Workgroup considered the role of the Aggregator and commitment to deliver the agreed volume. The priority status of sites was discussed, the potential need to have a minimum offtake and how to manage this.

4.0 Review of existing DSR arrangements post implementation of UNC Modifications 0822 and 0833

Phil Hobbins (PH) provided an overview of the existing DSR arrangements and a post-implementation assessment for Modifications 0822 and 0833 noting that this is good governance for Modifications that were implemented under Urgent procedures.

Modification 0833

This Modification enabled shippers to participate in the DSR option tender that does not have OCM access. Whereby if a DSR is called if a shipper holds a DSR option, it could offer DSR by way of an OTC trade rather than OCM.

PH confirmed as DSR has not been called this Winter, so this Modification has not been tested.

Whilst DSR contractual arrangements remain between NGT and Shippers, this Modification could still enable greater DSR volumes than would otherwise be the case, therefore NGT does not propose any changes at this stage.

Modification 0822

This Modification introduced the DSR option arrangements and extended the window of DSR to when a Margins Notice is in force as well as a Gas Balancing Notification (GBN).

PH provided some illustrations of the current arrangements, the reduction levels and timings. The Workgroup considered the concept of reduction through aggregation and direct contracting.

PH provided an assessment of the process and requests for greater flexibility. The introduction of more parameters was discussed however it was recognised this would bring more variables and complexity into the offer, tender and exercise assessment processes.

The Workgroup reviewed the tender duration, frequency and optionality along with the liability for failure to post DSR offers and if the liability is proportionate or discourages participation.

It was noted that sensible tweaks would be possible to improve the arrangements and encourage participation. In particular National Gas agreed to consider whether it may be appropriate to frame the DSR as 'reduce to' rather than 'reduce by' quantity as this may allow sites that have a minimum gas flow requirement to participate.

The Workgroup considered the prioritisation of what could be delivered for this winter and the merits of NDM sites having access to DSR.

Matthew Newman (MN) recognised the longer-term merits of involving Non-Daily Metered Sites, noting the need to consider:

- The roles and responsibilities of key stakeholders
- Baseline demand reduction
- Assessing reduction
- Triggers for execution
- 3rd Party involvement for facilitating aggregations.
- Funding arrangements
- Energy Balancing Impacts (NDM Demand attribution)
- Shipper Imbalance and impacts on UIG.
- Implementation for future Winters 2023/24 and 2024/25

5.0 Issues and Questions from Panel

The Workgroup noted the following Panel Questions requested for consideration:

- Please consider timelines and report back to Panel with potential timescales of Modification to aid planning for Workgroup meetings.
- How to ensure inclusive communications are maintained across the industry to ensure cohesion.
- Consider interactions with the licence (initial assessment provided 1st meeting)
- Consider and comment on the inclusion of domestic customers within future DSR arrangements.

It was noted that these had all been discussed by the Workgroup and this would need to be captured within the Workgroup Report.

6.0 Initial Representations

It was noted that the initial representation submitted by OVO Energy (see extract below), had been covered by Workgroup discussions and this will be captured within the Workgroup Report:

Why:

Product Class 3 (PC3) submit daily reads. Domestic PC3 accounts for 32 TWh per annum or approximately 10% of domestic gas outflows. It, therefore, is worth considering as a potential area for flex. Customers would need to be PC3, with consistent comms [95%] in last [6] months, and consent to [daily] read retrieval so that consumption can be verified.

Potential process:

Suppliers gain agreement from eligible customers > shippers create aggregate value > Gas Balancing Notification (GBN) > domestic shipper posts "Domestic DSR Market Offer" for aggregate > NG NTS accepts > shipper/supplier notifies customer to reduce consumption > shipper retrieves reads > shipper notes deviation from aggregate > NG NTS provide payment to shipper/supplier > shipper/supplier calculates consumption decrease on MPRN basis > customer credited.

Initial questions:

Can this be done via On-the-Day Commodity Market (OCM)?
What value could be gained?

7.0 Review of Request Workgroup Report

EF confirmed that work will commence on drafting the Request Workgroup Report, noting the focus at the next meeting will be assessing any new Modification(s) submitted for the April UNC Panel Meeting to avoid the need for Urgent Modifications in support of implementation for Winter 2023/24.

8.0 Next Steps

PH confirmed he aspires to raise any new Modification(s) in time for the April UNC Modification Panel meeting.

EF confirmed that the plan for the next meeting will be to consider:

- Any new UNC Modification(s)
- Deliverability assessment of DSR Changes
- Development of Request Workgroup Report

9.0 Any Other Business

None.

10.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
11:30 Thursday 06 April 2023 Immediately after Transmission Workgroup	New Modification Deadline 5pm Wednesday 05 April 2023 Meeting Paper deadline 5pm Wednesday 29 March 2023	Microsoft Teams	<ul style="list-style-type: none"> • Consideration of new UNC Modification(s) • Deliverability assessment • Development of Request Workgroup Report
11:30 Thursday 04 May 2023 Immediately after Transmission Workgroup	5pm Wednesday 26 April 2023	Microsoft Teams	<ul style="list-style-type: none"> • Development of Request Workgroup Report • Development of DSR Modifications