

UNC Workgroup 0844 Minutes
Enabling Direct Contractual Arrangements with Consumers for
Demand Side Response
Thursday 01 June 2023
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	SEFE Energy
Alex Nield	(AN)	Storengy
Anna Shrigley	(AS)	ENI
Antony Miller	(AM)	SouthHook Gas
Archie Stoker	(ASt)	Engie
Benjamin Cull	(BC)	Department for Energy Security and Net Zero
Bethan Winter	(BW)	Wales & West Utilities
Chris Wright	(CW)	Exxon Mobil
Christiane Sykes	(CS)	Shell
Davide Rubini	(DR)	Vitol
Eddie Proffitt	(EP)	Major Energy Users Council
Ellie Rogers	(ER)	Xoserve
Emma Robinson	(ER)	EON Energy
Hannah Reddy	(HR)	Xoserve
James Lomax	(JL)	Cornwall Insight
Joseph Leggett	(JLe)	Interconnector
Julie Cox	(JCs)	Energy UK
Kathryn Adeseye	(KA)	Xoserve
Marion Joste	(MJ)	ENI
Mariachiara Zennaro	(MZ)	Centrica
Matthew Newman	(MN)	National Gas Transmission
Mathew Chandy	(MC)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Phil Hobbins (Proposer)	(PH)	National Gas Transmission
Phil Lucas	(PL)	National Gas Transmission
Richard Fairholme	(RF)	Uniper
Sallyann Blackett	(SA)	EON Energy
Steve Mulinganie	(SM)	SEFE Energy
<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: https://www.gasgovernance.co.uk/0844/010623</i></p>		

1.0 Introduction and Status Review

1.1. Approval of Minutes (04 May 2023 and 16 May 2023)

Approved

1.2. Approval of Late Papers

Late papers were noted for the provision of draft amendments to the Modification, action updates and the Rough Order of Magnitude (ROM).

1.3. Review of Outstanding Actions

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.

Update: Phil Hobbins (PH) referred to the material provided for the EBCC Summary of discussions and the National Gas Transmission (NGT) response, both of which have been included in the Workgroup Report and noted the following:

Where NGT is contracting directly with end-Consumers for Demand Side Response (DSR), if the Consumer fails to respond, they will become liable for repayment of the Option Fee, which is scaled based on the number of days of successful compliance. This could result in the Consumer owing money to Neutrality.

PH explained consideration of to what extent should that potential liability be secured ahead of time, and, whereas it is unlikely to get to this position, and recognising the concerns of EBCC members, it is accepted the risk is small and NGT are keen to balance the risk against putting undue barriers in the process.

PH clarified NGT propose to implement a Credit Check as part of the assessment process. This will give NGT a sum of which is the recommended contractual limit that should be entered into, if the potential liability could exceed the value, NGT can ask the consumer for security to cover the shortfall.

PH advised the preference is this is in the contract rather than UNC. Operating based on standard conditions within the contract and would be transparent.

Steve Mulinganie (SM), as an EBCC member, thanked PH for taking on board the concerns of the EBCC and offering a suitable way forward.

Action closed

2.0 Modification Assessment

The Proposer, Phil Hobbins (PH) provided the Workgroup with a review of the amendments he is intending to make to the Modification, which, once submitted for processing, will make the Modification v3.0.

Please refer to the published draft Amended Modification Version 3.0 published at: <https://www.gasgovernance.co.uk/0844/010623>.

PH summarised the key changes as follows:

- Restrictions that a tender applies and the number of days on which a DSR can be exercised.
- A change relating to the determination of quantity.
- New sites and how to deal with them.
- Clarification of treatment of any bad debt.

Business Rule (BR) Changes:

The Workgroup considered the suggested changes to the Business Rules, a summary of discussions held is as follows:

BR17b: *in respect of a Winter Period in Y+1 and/or Y+2, NGT shall notify the Consumer of its average daily demand for the preceding Winter Period and hence the DSR reduced quantity it has offered not later than 30 June in the preceding Gas Year to which the DSR Option applies. (For example, if in response to the 2023 invitation, NGT accepts an offer from a consumer for Winter Periods 2023/24 and 2024/25, NGT would inform the consumer of its average demand for Winter Period 2023/24 and hence what its DSR reduced quantity is for Winter Period 2024/25 not later than 30 June 2024). Where the demand reduction quantity is less than 100,000 kWh/d, NGT shall notify the Consumer and the Consumer may then provide information to NGT to demonstrate that its demand reduction quantity shall be greater than or equal to 100,000 kWh/d. Where such information is provided to NGT's reasonable satisfaction by 31 August in the preceding Gas Year, the DSR Option shall remain in force with a projected average daily demand and the DSR quantity agreed by the parties and otherwise shall lapse.*

SM sought clarification that y+1 and 2 are subject to assessment and scaled accordingly if they cannot reach the previous year's demand reduction requirement. But if their demand reduction drops below the minimum requirement of 100,000 kWh/d, they would no longer be compliant with minimum requirements.

When the minimum requirement of 100,000 kWh/d was challenged as being too high, PH noted the comments made but ensured that the value set seems right and he is not considering moving that as part of this Modification, however, he may consider aggregation as part of a future Modification.

SM made a general comment in that a number of parties have raised concerns with Shippers regarding notifications to Shippers when a DSR is undertaken. As currently drafted the Modification does not suggest any communication with the relevant Shipper.

PH acknowledged the concern and noted that this would require additional arrangements to be put in place to accommodate GNCC issuing a communication to Shippers and said that this should sit with an arrangement between the Shipper and the Consumer rather than NGT.

EF asked if NGT has explored whether a generic Automated Notification Service (ANS) message can be broadcast that a DSR has been called so that there is awareness. PH advised that is effectively done by issuing a Margins Notice which should be an alert to Shippers.

A Margins Notice (MN) is information provided to all NTS users, indicating a potential supply/demand imbalance for the coming gas day. An MN is issued from 13:00 D-1, following an assessment of the expected available supply level against forecast total system demand. If demand is greater than supply (by any value), an MN will be issued via ANS.

SM noted that ultimately there is a consequential risk to the customer, some risk that something might get lost in translation and whilst he appreciates the points made by NGT, he feels this extra piece of communication should be there.

Julie Cox (JCx) noted that NGT has a pool of staff that can be called on when an emergency arises, therefore there would be additional resources to draw upon in these circumstances.

Bethan Winter (BW) advised, from a GDN perspective, if an embedded site would want to have the communication, the GDN may have contact details that the GNCC could utilise. PH confirmed there is an existing procedure to notify GDN (via ANS) when a DSR is enforced.

PH re-confirmed that notification to the Shipper is not something NGT can commit to and asked Workgroup to appreciate GNCC staff will have numerous other things to do then, which is one of the other reasons NGT cannot commit to this.

Rough Order of Magnitude (ROM)

ER advised there are no Gemini system changes expected as a result of this Modification and there are existing processes for invoicing (paper invoice) which would be utilised.

It was noted that it is assumed that if volumes do not exceed 30 consumers, there would be no additional ongoing costs.

JCx observed ROM and provided feedback on the ordering of the report. She noted that the outcome of the ROM is at the end of the report and feels it would sit much better if it was at the beginning of the report or maybe an executive summary at the beginning.

ER noted the comments made and advise she will consider them.

Consolidated Legal Text

PH provided a detailed walkthrough of the Legal Text changes which were shown in mark-up. The key changes were to the following sections of the Transportation Principal Document:

- Section D – Operational Balancing and Trading Arrangements
- Section F – System Clearing, Balancing Changes and Neutrality

PH explained the proposed Legal Text which was provided in a consolidated format to incorporate updates for both Modification 0844 and 0845. PH explained the approach was to redraft *Modification 0822 - (Urgent) - Reform of Gas Demand Side Response Arrangements* section of Legal text, retain the relevant Code and add in new text consistent with Modifications 0844 and 0845.

Please refer to the published consolidated Legal Text published at: <https://www.gasgovernance.co.uk/0845/010623>.

The Workgroup discussions relating to the consolidated Legal Text are summarised as follows:

- PH noted clause 7.7.6 specifically outlines that National Gas Transmission will notify the relevant DN Operator where a DSR Option is exercised for a Supply Meter Point that is an LDZ Supply Meter Point.
- Workgroup identified there are some obligations within the Legal Text that relate to Consumers who are not parties to the UNC and thus the clauses are unenforceable. These may be better addressed in the Terms and Conditions of the bilateral contract. It was suggested that the terms of the bilateral contract should be consulted on in parallel with the Modification.
- JCx noted there should be a clause in the UNC that binds NGT that there will not be anything in the contract with consumers that prevents disclosure of relevant information to the Supplier/Shipper to enable parties to perform their obligations.

3.0 Development of Workgroup Report

In undertaking a detailed onscreen review of the draft Workgroup Report, EF completed amendments in-line with the feedback provided by those Workgroup participants in attendance.

EF recognised the amendments to the Modification are not yet processed and that he will be writing Workgroup Report based on the amendments that Workgroup have reviewed at this meeting.

A high-level summary of the most notable updates to the document undertaken being:

JCx suggested that Ofgem should acknowledge its role in saying if something is compliant or not. Referring to Modification 0822 (Urgent) - Reform of Gas Demand Side Response Arrangements, which is where this amendment should have been addressed, the assumption could be made, as Ofgem approved the Modification, therefore it explicitly says it must be compliant, but the Ofgem decision letter does not mention this.

JCx said that Ofgem should specifically say, for Balancing Code purposes, they think this Modification is necessary.

SM commented that there is a gap that needs filling to avoid a problem, and if an Annual Review is required it should be reflected in the Business Rules and consideration needs to be given to how an Annual Review will interact with a multi-year contract.

PH referred to discussions that took place at the last meeting and advised, the rationale, based on Consumer feedback says that investments need to be made to be able to participate in a DSR. He concludes that if a Consumer is entering into DSR Options at a point in time for 3 years, the basis of a risk perception that is current at a point in time if the Consumer has already got options in place for y1 and 2, they can take into account the aggregate level of option payment and quantity NGT wish to accept in the next year.

JCx noted this needs to be very clear who does what when and how in terms of this Annual Review as to what you then do for the following year pre the end of August.

PH options into a prices stack, subject to threshold build which Ofgem have as an oversight. PH said that the Annual Review could be made an obligation and then a decision would be made whether or not to do a Tender. The Modification is not proposing that, and implicitly subjectivity and judgement are automatically built into this process.

When asked, the Ofgem representative (MC) advised that Ofgem will get back to Workgroup with a View.

JCx highlighted the process would be back to front and inefficient, running the process regardless of whether it is needed because Code says you should, the assessment of whether it is needed should be done first.

PH advised the commitment would be to run an Annual process which would give some certainty to Customers and Shippers.

SM provided suggested wording for the Workgroup Report:

The Annual Review should include a positive affirmation from the NRA that any new DSR arrangements are allowable.

4.0 Next Steps

Expected next steps:

- Formal submission of Amended Modification which will be v3.0.
- Submission of final Legal Text
- Workgroup Report submission to UNC Modification Panel on 15 June 2023.

5.0 Any Other Business

None.

6.0 Diary Planning

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

The final Workgroup meeting will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
10:00 Monday 05 June 2023	n/a	Microsoft Teams	<ul style="list-style-type: none"> • Modification Assessment <ul style="list-style-type: none"> • Consideration of Legal Text • Completion of Workgroup Report

0844 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)	Closed