

Initial Representation - UNC 0852

Shipper Notification in Relation to Option Exercise for Customer Demand Side Response

Representative:	Phil Hobbins
Organisation:	NGT
Date of Representation:	03 October 2023
Relevant Objective(s):	Negative for relevant objectives a) Efficient and economic operation of the pipeline system (d)(i) securing of effective competition between relevant shippers
Relevant Charging Methodology Objective(s):	Not Applicable

Reason for opposition:

The issue of whether NGT should be obliged to notify the shipper upon DSR exercise directly with a consumer was a point on which NGT and shippers were unable to agree during the development of Modification 0844 ‘Enabling Direct Contractual Arrangements with Consumers for Demand Side Response’. Modification 0852 has been raised by SEFE Energy to place this obligation onto NGT. The purpose of this initial representation is to set out our current thinking on this issue ahead of the debate in the 0852 Workgroup.

In summary, we agree that the shipper needs to be informed if a Consumer DSR Option is exercised but believe that the relevant consumer should have the obligation to do this, as part of contractual arrangements between shipper/supplier and site that we would expect to already be in place. Our rationale is based on both principle and practical considerations.

Principle

There is an established contractual and information flow chain in the gas industry of transporter to shipper to supplier to consumer and vice-versa. Modification 0844 was raised by NGT to enable direct contracting with consumers for DSR options which circumvents this specifically for DSR. The claim is therefore that because NGT now has this relationship which the shipper is not party to, it should also have an obligation to inform its direct customer (the registered shipper) if that option is exercised, i.e. DSR is called in respect of that site.

It is important to appreciate the context in which NGT raised Mod 0844. It was done in response to feedback from some consumers that this was their preferred means of contracting for DSR rather than going through their shipper, and from some shippers who argued in consultation responses to Modification 0822 that the risks of arranging DSR would not be outweighed by the reward, the implication being that DSR is an unattractive product for shippers to market to consumers.

NGT's preference would have been to maintain the established contractual chain. However, the feedback detailed above, together with NGT's desire to grow the DSR market (as a hitherto untapped balancing tool that could be deployed at times of system stress to mitigate the risk of a Network Gas Supply Emergency) led us to challenge the established convention and deliver the ability for consumers to deal directly with us for DSR.

Having therefore already agreed to take a role outside convention in this way, we do not believe that we should step any further into the shipper role as Modification 0852 proposes. Rather, if DSR is called, we consider that the consumer should inform the shipper as part of what we expect should be 'business as usual' practice. Exercise of a DSR option is one of many factors that could cause a consumer's planned rate of offtake on a given day to change from what was previously expected, for which we assume there must be communication arrangements in place already between site and shipper to enable the shipper to submit accurate transportation nominations and manage its scheduling and imbalance risk.

We did propose in Modification 0844 to notify the relevant GDN of the exercise of a DSR option; this reinforced already established inter-transporter arrangements and is appropriate given that the consumer has no direct relationship with its GDN insofar as DSR is concerned.

Practical

We also have practical concerns in relation to Mod 0852.

Since DSR could be called 24/7, notification by NGT to the shipper would need to be a control room activity. We are concerned that an additional administrative requirement to phone and/or email the registered shipper(s) at a time of high intensity control room activity would detract from the GNCC's ability to discharge its primary role in that circumstance of managing the supply shortage and maintaining efficient system operation.

At present, the number of consumers holding DSR options is relatively small, but this may not be the case in the future. If timely notifications to shippers could not be provided, some shippers might receive notification from NGT and not others, resulting in unequal treatment and a group of shippers having a commercial advantage in managing their scheduling and imbalance risk. We therefore consider that the Modification is potentially detrimental to relevant objective (d)(i), "securing of effective competition between relevant shippers".

Furthermore, a consumer can change its shipper at any time. In a supply shortage situation, which could occur outside of normal business hours, it would not be feasible for GNCC staff to check with the CDSP whether the shipper at the time the option was agreed is still the incumbent before issuing the notifications, which could be to the further detriment of relevant objective (d)(i). To avoid this, it may be possible for NGT to establish a new service line with the CDSP to inform GNCC on a daily basis of who the registered shipper

is for each consumer that holds a DSR option but we do not believe that this would be an efficient use of the CDSP's resources.

In relation to Relevant Objectives, we note that the Proposer considers Mod 0852 to be positive for (d) securing effective competition, yet the rationale is concerned with additional security for shippers rather than competition benefits.

Self-Governance Statement: *Please provide your views on the self-governance statement or reasons why Authority Direction should apply.*

There is potential for the number of consumers holding DSR Options to grow and therefore for a corresponding increase in the number of notifications that NGT would have to provide to shippers if Mod 0852 were to be implemented. This could compromise NGT's ability to manage a national gas supply shortage effectively and efficiently, detrimentally impacting GB gas security. We therefore consider that this Modification could have a material effect and thus should be re-classified as Authority Direction.

Impacts and Costs: *Please provide a view on the impacts and costs you would face.*

To follow in our consultation response.

Additional information for consideration by Workgroup: *Please provide any additional information for Workgroup consideration.*

We may wish to include further information in our consultation response.

Analysis: *Please provide any additional analysis for Workgroup consideration.*

We may wish to include further information in our consultation response.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We will comment in our consultation response.