

UNC Workgroup 0866 Minutes
Amendments to Demand Side Response (DSR) Arrangements
Thursday 07 March 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Aidan Lo	(AL)	Joint Office
Adam Bates	(AB)	SEFE Marketing & Trading
Alex Nield	(AN)	Storenergy
Amy Howarth	(AH)	Storenergy
Anna Shrigley	(AS)	ENI
Carlos Aguirre	(CA)	Pavilion
Chris Wright	(CWr)	Exxon Mobil
Conor McClarin	(CM)	National Gas Transmission (NGT)
David Mitchell	(DM)	Scotia Gas Networks
Ellie Rogers	(ER)	Xoserve
Hannah Reddy	(HR)	Corella on behalf of Xoserve
Gaby Bezzubovaite	(GB)	Department for Energy for Security
Gavin Williams	(GW)	National Gas
James Lomax	(JLo)	Cornwall Insight
Jeff Chandler	(JC)	SSE
Joseph Leggott	(JL)	Interconnector
Josie Lewis	(JLe)	Xoserve
Hannah Swindell	(HS)	Energy Security
Kirsty Appleby	(KA)	National Gas Transmission
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Marion Joste	(MJ)	ENI
Mathew Chandy	(MC)	Ofgem
Nick Wye	(NW)	Waters Wye
Nicola Lond	(NL)	National Gas Transmission
Ofordi Nabokei	(ON)	National Gas Transmission
Phil Hobbins	(PH)	National Gas Transmission
Phil Lucas	(PH)	National Gas Transmission
Richard Fairholme	(RF)	Uniper
Steve Mulinganie	(SM)	SEFE Energy
<p><i>The Workgroup Report is due to be presented at the UNC Modification Panel by 18 April 2024.</i></p> <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>Please note these minutes do not replicate 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 papers are available at: https://www.gasgovernance.co.uk/0866/070324.</i></p>		

1. Introduction and Status Review

Eric Fowler (EF) welcomed all parties to the meeting.

1.1 Approval of Minutes (01 February 2024)

The minutes from the previous meeting were approved.

1.2 Approval of Late Papers

There were no late papers to approve.

2. Workgroup Discussion

Phil Hobbins (PH) provided an update on the proposed amended Modification and Business Rules, advising that there was an accompanying PowerPoint to provide illustrative examples of some of the Business Rules in relation to the outstanding action.

PH further advised in relation to the Solution paragraph that the amendment involves the removal of the square brackets. The intention is to mitigate the risks identified with a process, post-tender closure, particularly for Consumer DSRs.

Business Rule 2

PH advised that if a large number of tender options are obtained, there will be more time to assess the bids. NGT has added a clause to inform those who have submitted offers of what the assessment period is.

Business Rule 3

This Business Rule has been amended to now relate to both Shipper and Consumers.

Business Rule 4

Further to the discussions in the last meeting, PH explained that currently the Code states that when assessing the DSR options, they are put into a 'stack' ranking on price. The amended rule will give priority to Within-Day Options over D-1 and D-5. PH explained that NGT may also give priority to greater volumes which would be of more operational value.

Old Business Rule 4

PH advised that this had been removed as there had been no offers.

Steve Mulinganie (SM) advised that he prefers this Business Rule remaining. SM highlighted that customers may need to invest in infrastructure and the customer's ability to recover over a number of years is material in relation to their ability to bid.

SM asked how a customer would receive feedback in the event their offer has been rejected explaining that as the offer will have been rejected, there would be no contract with NGT to oblige it to provide feedback. In response, PH suggested that there are a few ways this could be done; one way could be to stay silent in terms of what is drafted in UNC and the customer can contact NGT directly to obtain this feedback. Another option could be to make consequential changes to the consumer contract if the Modification is approved. PH advised that it may be appropriate to capture this in the Workgroup Report.

Business Rule 5

There is currently an obligation to supply certain information post-tender and the proposed amendment intends to expand on the current list. PH advised that in the first draft, reference had only been made to Consumer DSR but this will need to be extended to Shipper DSR if any offers are obtained from Shippers. There are ongoing discussions about what are appropriate measures regarding the weight average option. Provided at least 3 suitable offers have been obtained, the proposal is to include the newly listed information in the public report. The proposal now states the minimum record to be disclosed, although more information can be shared.

Business Rule 7

The purpose of this amendment was to add clarity. In principle, this Business Rule has remained the same. PH explained that he is in parallel conversations with Consumers to inform them of the ongoing discussions at the UNC Workgroups and to obtain their feedback and proposals.

Business Rule 8

This Business Rule remains unchanged apart from the addition of brackets.

Business Rule 9

PH explained that the amendment to this Business Rule is attempting to specify that the minimum Option Quantity for DSR is 100,000kWh. This is worked out by the counterparty providing their DSR 'reduce-to' capacity in the tender. This reduction is obtained from the Winter Demand Average (WAD). PH explained that the Option Quantity is the difference between the WAD and the DSR Reduced Quantity. PH presented a worked example to the Workgroup using the accompanying presentation, demonstrating how the formulae work. Further details can be found on slides 2 and 3.

PH advised that he had realised that for the Within-Day Option, by definition, some gas days may have already passed. For this Option, NGT would want a higher Option Quantity due to being part way through the gas year.

PH added that the customer should know what their WAD value is as this is an obligation specified in the Code.

New Business Rule 10

Sets out the timetable for pre-tender communications subjected to Business Rule 2.

Old Business Rule 11

This original Business Rule had been struck out. PH explained that he considered whether there is a more accurate measure to use when considering the historical daily demand rather than the WAD, PH considered whether this would be looking at the last 7 days.

Further to the last Transmission meeting, PH was given the action to provide actual numbers as a worked example. The use of a cut-off date is to assist in reducing outliers.

Please refer to slide 4 of the presentation. Slide 5 provides the outcomes for the 2 comparison exercises (the 7-day option and the WAD option). Based on the data set, the 7-day option appears to be a slightly better correlation however it is not sufficiently material to warrant a change in the current approach. This was the reason for removing the old Business Rule 11. The proposal is to stick with the WAD approach or substitute the forecast approach.

Business Rule 18

This was debated during this last Transmission meeting. At present, if a consumer is called on a particular day and has failed to deliver on their option quantity obligation, the customer will be expected to pay back 110%. The view from the Workgroup is that there should be no tolerance on the quantity as consumers should build a tolerance into their offer. EF suggested that the customer may want some idea about the potential variability of their CV to ensure that the volumetric control achieves the required energy reduction.

Business Rule 11

PH explained that this is a new Business Rule including the term 'DSR Participant' which has been defined to cover both users and consumers.

PH explained that the participant has the option to request their WAD for a particular site. NGT will use reasonable endeavours to provide this WAD to the participant prior to the cut-off date for the tender. Previously, NGT has been able to action these requests quickly with the assistance of Xoserve due to Xoserve providing reports containing the data.

Business Rule 12

This is a simplification of the old BR 7. This amendment derived from Consumers advising that, for example, what was done last winter may not be a true reflection of what they will do this winter. NGT are looking at obtaining a longer period of history in an attempt to smooth out any anomalies that may appear, for example, if maintenance was required for one year.

If there is a new site which is unable to provide a longer period of history, NGT will consider the data they have for that site. The current position is to consider 1 year however the proposal is to amend to 3 years.

Business Rule 13 and Business Rule 14

In the event a customer is considering giving an offer but believes their WAD is not a true reflection of the daily demand, these Business Rules offer alternative options such as utilising a forecast and explaining why their historic WAD is not accurate. Without judgment, NGT will then substitute the forecast for what would have been the 3-year demand history however, it is recognised that there will need to be an exercise to determine the accuracy of the forecast after the event. PH advised that the proposed approach is to make monthly instalments for the first 3 months out of the 6 and retain the remaining 50%, pending the outcome of the post-winter assessment (Business Rule 14(b)).

Business Rule 14(c) provides for a 10% tolerance to be applied in relation to over forecasting, PH explained that he understands the customer may not be able to provide 100% accurate results. The remaining 50% will then be paid as a single transaction if the post-winter assessment is within the 10% tolerance. Where the forecast is beyond the 10% tolerance, no further payments will be made.

SM questioned why 50% should be given. In his opinion, the principle should be that they do not receive anything up-front. It has already been recognised that this facility is open to gaming as the reliance will be placed on the assumption provided by the customer. SM advised that a better approach would be to advise the customer that no payments will be made until after the winter, where evidence has been obtained to prove the requirements have been met. Even in the event a credit arrangement is provided, there is no guarantee that money will be paid back.

Louise Hellyer (LH) agreed that 50% is too large of a figure. 0% may be a safer option to be used and if the customer can provide proof in the first month, incremental payments could be made. The Workgroup consider that 50% is too large and 0% may be too harsh.

PH advised that he is due to have a call with the consumers next week and will obtain their views based on the views expressed during this Transmission meeting.

In relation to the parties that provide a forecast, Ellie Rogers (ER) queried whether there is a restriction on who or how many customers can utilise this option over the demand history Option. PH advised that he will raise this as well at the next consumer call.

Business Rule 17

PH explained that class 2 daily metered sites will be able to bid.

Business Rule 19 and Business Rule 20

PH explained that when an offer is received, a credit check will be carried out on the consumer. If they pass then they can proceed, if they fail, then the offer will be accepted on the basis that credit support is put in place. Consumers have advised that this could be a barrier, explaining that this could require time and money to put in place and it may not be possible to put in place before the option starts.

The purpose of the amendment to BR 19 is to protect Shippers funding neutrality. Where there is an offer and a failed credit check, the DSR contract and standard terms and conditions would

be amended to provide the option of the consumer choosing to elect to receive the payment after the winter.

Business Rule 20 encompasses the option to be paid after the event where the consumer chooses not to utilise the credit option.

The extra complexity is relevant here in addition to Business Rule 14 (the 50% debate) as neutrality will need to be balanced taking into account the months in which gas has flowed and payments are made. PH advised that he will need support from Xoserve to be able to balance the neutrality and the outcome will need to be reflected in the Business Rules so this is something that is yet to come.

Elsewhere in the drafting of the modification PH advised that under the Central Systems Impacted section, he had initially noted that there would be no impacts due to no changes to Gemini however, this section will need to be amended to capture the impacts to CDSP processes. Text will need to be agreed with Xoserve which will be included in the next version. PH explained that there are no changes to Gemini or the central systems but as CDSP are responsible for the invoicing for consumer DSR's and the eligibility is being expanded to Class 2 consumers, this may result in an increase to counterparties. CDSP have advised that no changes to processes will be required for up to 30 however anything beyond this will require an amended process and the impacts will need to be considered.

In relation to Business Rule 14 and Business Rule 20 where there is the potential of holding back payments, after a tender and the allocation process has finished, payment details are shared with Xoserve. Given the amendments made to the Business Rules, there will be an added step of informing Xoserve to make payments.

Next Steps

PH advised that he will take the points raised in the meeting today to the consumer meeting next week and intends to produce an amended version of the Modification and Business Rules by the end of next week. Any additional points can then be considered during the meeting on 25 April. PH advised he will be unable to attend that meeting but Phil Lucas (PL) will be stepping in as an alternate.

The intention will be for the Workgroup to review the revised Modification and consider drafting the legal text ahead of taking the Modification to Panel in April. The Workgroup may also wish to consider the Workgroup Report in the next meeting.

3. Any Other Business

SM highlighted that this Modification is proposed for self-governance. SM drew reference to Modification 0852 which was also submitted as self-governance however it was called in by Ofgem on the basis that it was considered material due to additional work being required.

SM therefore compared this Modification against Modification 0852 and advised that if the intention is to extend to Class 2, by definition this would involve increasing the workload in the same way as Modification 0852. Therefore, the Workgroup may have to consider whether it is appropriate for this Modification (0866) to also be submitted as self-governance. This is something that will be raised at Panel. SM advised that he is not intending to delay the matter but wanted to bring attention to and ensure that this point was captured in the minutes.

4. Diary Planning

0866 meetings are listed at: <https://www.gasgovernance.co.uk/0866/070324>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
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10:00 Thursday 04 April 2024	5 pm Wednesday 27 March 2024	Solihull/ Microsoft Teams	ADD Agenda items to inform Tech Team what needs to be on Agenda
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Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0201	01/02/2024	3.0	Phil Hobbins to obtain anonymous real data and examples to present to the Workgroup at the next meeting as a demonstration of the Business Rules and Modification.	March 2024	NGT (PH)	Closed