

**UNC Workgroup 0866S Minutes  
Amendments to Demand Side Response (DSR) Arrangements**

**14:00 Monday 25 March 2024**

**via Microsoft Teams: 0207 660 8338, Conference ID 281 627 273#**

Attendees		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Charlotte Gilbert	(CG)	BUUK
Conor McClarin	(CM)	National Gas Transmission (NGT)
David Mitchell	(DM)	SGN
Edward Allard	(EA)	Cadent
Ellie Rogers	(ER)	Xoserve
Hannah Swindell	(HS)	Department for Energy for Security
Josie Lewis	(JL)	Xoserve
Louise Hellyer (until 14:46)	(LH)	TotalEnergies Gas & Power
Matthew Atkinson	(MA)	SEFE Energy
Mathew Chandy	(MC)	Ofgem
Phil Lucas	(PL)	National Gas Transmission
Shiv Singh	(SS)	Cadent
Steve Mulinganie	(SM)	SEFE Energy
Susan Helders	(SH)	NGN
Tom Stuart	(TS)	Wales & West Utilities
<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/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: <a href="https://www.gasgovernance.co.uk/0866/250324">https://www.gasgovernance.co.uk/0866/250324</a></i></p>		

**1. Introduction and Status Review**

Rebecca Hailes (RHa) welcomed all parties to the meeting. At the beginning of the meeting (14:00) quoracy requirements were met. At 14:46 the meeting was no longer quorate. The Chair (RHa) reminded participants that decisions could not be taken and that some of the material in the Workgroup Report which was captured after 14.46 would be subject to review at the next meeting.

**1.1 Approval of Minutes (07 March 2024)**

There were no late papers to approve.

**1.2 Approval of Late Papers**

RHa approved the late submission of the amended Modification, given how close the meetings have been scheduled.

## 2. Development Workgroup Report

### 2.1 Review of the Amended Modification

Phil Lucas (PL) provided an overview of the amendments made to the Modification, focusing on 3 areas in particular.

PL advised in relation to the proposal on the tolerance, the Business Rule between Business Rule 17 and 18 (old Business Rule 12) had been removed following feedback from the Workgroup.

#### Business Rule 14

Business Rule 14 allows participants to submit an alternative to their Winter Average Demand (WAD) in the event they do not agree with the previous figures obtained. The consequence of this is that half of the option fee will be retained with payment of the remaining amount made after the event, once evidence has been provided. PL highlighted that consideration was given to whether the entirety of the option fee should be retained however NGT indicated they were likely to remain with the 50% figure. PL also discussed the concern regarding consumer groups not being incentivised to participate.

Steve Mulinganie (SM) raised the potential this has for gaming, advising that he believed 0% of the option fee being payable is too harsh and 50% is too generous as there does not appear to be any real consequence for failing to deliver.

RHa drew attention to the wording “accompanying rationale” in the Legal Text for Business Rule 13 and asked what this related to. PL advised that he was not aware of the detail of what this would involve.

RHa asked in relation to the WAD process, how fast it updates itself and whether this is done annually. PL advised that under the current rules, only 1 year of data is considered however the proposal intends to consider 3 years history. Ellie Rogers (ER) highlighted that Business Rule 3 allows for the DSR participant to provide a forecast rather than their actual WAD figures. Xoserve confirmed that they have the ability to calculate the WAD annually ahead of the exercise.

The Workgroup discussed the various options in relation to what percentage could be considered as appropriate for retaining the option fee. It was eventually agreed amongst the Workgroup that as the length of time is 6 months, the percentage/figure should be divisible by 6. PL advised he would take this proposal back to Phil Hobbins (PH) and obtain his view.

#### Business Rule 18

This Business Rule focuses on the ability for consumers participating in DSR to provide credit or enter into a credit arrangement in the event the option fee payment needs to be paid back. Initially the participant could refrain from providing credit however following feedback from

Shipper Members, it was decided that 100% of the option payment would be withheld until after the event.

RHa asked Workgroup if they were happy with this proposal. SM highlighted that if the DSR participant has an issue with credit, industry should not be giving them money. SM welcomed the proposal.

### Business Rule 20

PL provided an overview of this Business Rule, explaining that where a proportion of or all of the option fee payment is held back, the residual payments required to be paid after Winter will be apportioned.

### Central Systems Impact

PL advised that this section of the Business Rules had been amended to reflect that no system changes are required but there will be process changes required. In summary, a note relating to the maximum 30 counterparties has been added in relation to consumer DSR; a finite number of additional relationships can be managed.

There will be a new process to instruct CDSP to withhold some of the option payments. CDSP will need to provide NGT with a list of all the WAD figures so that these can be compared to the forecasts to determine how much is to be paid.

ER advised that the position had been captured correctly. In terms of withholding payments, CDSP will await instructions from NGT. ER further highlighted that CDSP are not proposing to do a Rough Order of Magnitude (ROM) in relation to this Modification as they are proposing to keep and manage under the existing process.

RHa advised that this was not what she was expecting but it is likely that it is what Eric Fowler (EF) was expecting. RHa explained that the lack of ROM and ROM costs will need to be captured in the Workgroup Report.

## **2.2 Review of the Legal Text**

PL presented the Legal Text to the Workgroup, highlighting that this was the first time it had been reviewed.

### Section 7.1.3(q)

PL advised that the first change was in relation to Business Rule 17, which expands on the eligible points for consumer DSR. RHa highlighted that this removes the constraint that limited the position to Class 1.

### Section 7.2.1

This section relates to Business Rule 12, PL advised that the yellow highlighting is erroneous and will be corrected.

SM asked if the position is correct in that it starts “subject to Section 7.2.5” and queried the use of the words “subject to”. PL advised he would query this with the legal text providers.

RHa highlighted in relation to the proposed “3 winter periods” that the formulae must be being used in other scenarios which were already available and based on the 1 winter period, therefore those figures will need to be changed. RHa raised this point to ensure that there was

no consequential affect and PL confirmed that the calculation was not being used for anything else.

#### Section 7.2.2

This section cross references the timing of the provision. Business Rule 2 sets out the timescales for the options to be considered.

#### Section 7.2.5

This section implements Business Rule 13. SM asked why a Business Rule is being referenced in the legal text if it is not being used, no reasonableness test is applied and no cross-checking is conducted.

SM asked whether this can be queried with the legal text provider and whether this section is included because it allows for the possibility to request evidence.

Following various discussions, PL advised that he had captured the point to go back to PH with.

#### Section 7.2.6

This section incorporates Business Rule 11 which allows the WAD information to be requested from NGT.

#### Section 7.4.1(a)

This section allows the deadline for invitations to be brought forward from August to July, in line with Business Rule 1.

#### Section 7.4.3(c)

This section incorporates Business Rule 18 and the credit conditions for consumers.

#### Section 7.4.4

This section is in lieu of not providing the payment cover and implements Business Rule 19.

#### Section 7.5.2(c)

This section implements Business Rule 7 which has the ability to specify a maximum number of days now included in "consecutive". Business Rule 8 enables tenders to specify a minimum number of hours that must remain on the DSR lead time (d).

SM queried what would be reasonable for PH to consider and that the engineering changes might be difficult to validate. SM added that when taking the customer's word verbatim, we need to conduct a sense check i.e. a high-level check to ensure that such a proposal is achievable, at a minimum that the network can support the forecasted offtake.

Louise Hellyer (LH) left the Workgroup at 14:46 and RHa flagged that the meeting was no longer quorate as SM appeared to be the only Shipper Representative present. RHa advised that all documents will need to be reviewed and updated in time, ahead of Workgroup Report finalisation and submission to Panel on 18 April. Any changes made to the Workgroup Report would be made in tracked changes and reported back on in the next Workgroup meeting and therefore a longer meeting may be required to review the changes made.

#### Section 7.6.2

This section is in relation to assessing the offers received. Sub-section (b) implements Business Rule 9 and the Within-Day offers.

#### Section 7.6.5

This section incorporates the sliding scale of response times in relation to Business Rule 2. Where more offers are received, more time is given to assess those offers.

#### Section 7.6.8

This is a consequential change due to Business Rule 9.

#### Section 7.8.5

This section cross-references the consequential changes of subsection (d), implementing Business Rule 16.

#### Section 7.9.1 and 7.9.2

These are both consequential changes due to Business Rule 8.

RHa asked what the minimum number of hours is in relation to and whether this is the threshold. PL confirmed that this is in relation to the minimum number of hours for the offer itself.

SM raised the point of this section is to address the point in relation to delivering less because of the hours left in the day. SM drew reference to the worked examples PH presented to the Workgroup in the last meeting and that it may be useful to include those in the Workgroup Report to assist in understanding.

#### Section 7.10.1

This section incorporates the requirement that the option fee is payable unless the 2 mechanisms whereby all/a proportion of the monies are retained until after the event.

RHa highlighted that in the event PH intends to change this under the current proposal, section 7.2.5 will need amending. RHa asked if the minimum check needs to be incorporated into the legal text.

RHa asked ER if the position regarding the ROM has changed, following the discussions from the Workgroup. ER confirmed that there does not appear to be anything required from CDSP to check and that the process is instruction-based for CDSP.

More consideration may need to be given as the Workgroup discussed the possibility of this being resource-heavy.

#### Section 7.10.6

This section incorporates Business Rule 19(d) and Business Rule 14(c) where payments are made after the event, where option fee payments are withheld.

#### Section 7.11.2(b)

This section raises the change of Shipper, incorporating Business Rule 15.

PL informed the Workgroup that every Business Rule is covered by legal text and PL has requested an explanatory guidance table.

Charlotte Gilbert (CG) raised that it should be passed on to PH that all of the legal text changes are currently incorporated into the IGT UNC. PL advised that no IGT UNC Modification was required and that it is worth capturing this point in the Workgroup Report.

As this is the first review of the legal text, any questions should be directed to PL or PH.

PL advised that the table below showed the explanation of where each Business Rule was enacted in the Legal Text:

**UNC MODIFICATION PROPOSAL 0866**  
BUSINESS RULES AND LEGAL TEXT CROSS REFERENCE

Rule	Provision	Provision	Rule
1	7 4 1 a	7 1 3 q	17
2	7 6 5	7 2 1	12
3	7 6 1	7 2 5	13
4	7 6 2 a ii C	7 2 5 a	14 a
5	7 6 7	7 2 5 b	14 b
5 a	7 6 7 i	7 2 5 c	14 c
5 b	7 6 7 j	7 2 5 c	14 d
5 c	7 6 7 k	7 2 6	11
5 d	7 6 7 l	7 4 1 a	1
5 e	7 6 7 m	7 4 1 b	10
5 f	7 6 7 n	7 4 4	18
6	7 6 7 m	7 4 4 a	19
6	7 6 7 n	7 4 4 a	19 a
7	7 5 2 c	7 4 4 a i	19 b
8	7 5 2 e	7 4 4 a ii	19 d
8	7 9 1 a	7 4 4 a iii	19 c
8	7 9 2 a	7 5 2 c	7
9	7 6 2 b	7 5 2 d	13
9	7 6 8	7 5 2 e	8
10	7 4 1 b	7 6 1	3
11	7 2 6	7 6 2 a ii C	4
12	7 2 1	7 6 2 b	9
13	7 2 5	7 6 5	2
13	7 5 2 d	7 6 7	5
13	7 10 1	7 6 7 i	5 a
14	7 10 1	7 6 7 j	5 b
14 a	7 2 5 a	7 6 7 k	5 c
14 b	7 2 5 b	7 6 7 l	5 d
14 c	7 2 5 c	7 6 7 m	5 e
14 c	7 10 6	7 6 7 m	6
14 d	7 2 5 c	7 6 7 n	5 f
15	7 11 2 b	7 6 7 n	6
16	7 8 5 d	7 6 8	9
17	7 1 3 q	7 8 5 d	16
18	7 4 4	7 9 1 a	8
18	7 10 1	7 9 2 a	8
19	7 4 4 a	7 10 1	13
19	7 10 1	7 10 1	14
19 a	7 4 4 a	7 10 1	18
19 b	7 4 4 a i	7 10 1	19
19 c	7 4 4 a iii	7 10 6	20
19 d	7 4 4 a ii	7 10 6	14 c
19 d	7 10 6	7 10 6	19 d
20	7 10 6	7 11 2 b	15

### 2.3 Development of Workgroup Report

RHa presented the draft Report to the Workgroup and the Workgroup conducted a review, with the Chair adding amendments and notes in tracked changes.

The Workgroup discussed the self-governance element of this Modification with SM highlighting Modification 0852 as an applicable example. SM noted that self-governance is usually applied to Modifications that are considered to have a material change and suggested that based on a previous Modification relating to DSR options being an authority direction, it may be more appropriate for this Modification to also be submitted as an authority direction.

The Solution has been updated in line with version 2 of the Modification. If there are any further changes to be made, this section of the Workgroup Report will need to be amended in line with

those updates. PL advised that he would feed this back to PH who can review the position and decide if he wants to make any further amendments. If any further changes are made, this will be reflected in an updated version of the Modification next Tuesday 2 April.

RHa advised that it would be useful for the Workgroup to consider the consumer benefits, there did not appear to be any disagreement from the Workgroups regarding this proposal.

Shiv Singh (SS) advised that he was happy with the proposed wording under the “Improved Safety and Reliability” section. The preamble appears to provide sufficient context.

The Workgroup considered the wording under the “Reduced Environmental Damage” section. It was discussed that the potential for switching fuel was unknown at this point. There could be a potential for consumers to switch to a more polluting fuel that is less environmentally attractive. It was agreed that there does appear to be a volume argument and the opinion of the Workgroup had been captured in the report.

RHa raised that it has been difficult to quantify any effect of Net Zero within any of the Modifications. If the Workgroup had any suggestions regarding Net Zero, they would need to be included in this section, this will assist Panel with their task of assessing Net Zero. The Workgroup discussed the potential risk of less environmentally friendly solutions being utilised. Following a review of this section, it was agreed amongst the Workgroup that there was nothing further that could be added that would have been of any value.

The Workgroup agreed with the wording under the “Quality of Service” section.

The Workgroup focused on the “Performance Assurance” section with RHa highlighting that there does not seem to be any further considerations that need to be made. SM drew attention to the original Modification on DSR and that it might be worth considering it as Modification 0866 is an extension. CG informed the Workgroup that Modification 0844 had no concerns regarding Performance Assurance.

A few tweaks may be required for the “Cross Code Impacts” section, however, this is unlikely to be anything material. PH will need to review the position.

The Workgroup discussed the potential situation where numbers may increase and the effect this may have on discharging the DSR tender. This may be something consideration needs to be given to. ER explained CDSP’s position, advising that they are looking to get an insight from NGT as early as possible to allow for extra resourcing to be put in place, should it be required. RHa recorded the position regarding CDSP requiring enough lead time from a resourcing perspective in the Workgroup Report. It was useful to capture this within the Workgroup Report as a potential limitation however it was discussed that this would not affect the operational delivery of DSR, it would only have an impact on the invoicing.

There were no updates made to the initial representations.

The Workgroup considered the drafting under “Workgroup Impact Assessment”. The proposals, which appear to have been refined accordingly, appear to strike the correct balance for consumers. RHa requested for an example to be provided by the Workgroup to include in this section of the Workgroup Report to demonstrate the multilateral assessment of the Business Rules. The position regarding the multi-year contracts was captured in the Report.

RHa asked if there are any other UNC-related documents in relation to DSR. SM asked that in the event an update is required to the DSR methodology, would this cause a delay. The Workgroup Report referenced the DSR Methodology TPD D 1.5.1.

**New Action 0301:** NGT (PH/PL) to review the DSR Framework and Methodology documents to see if they need to be updated.



The Workgroup considered the “Relevant Objectives” and SM highlighted that the wording could be updated as it appeared to have been copied from the previous Modification.

The Workgroup considered the “Implementation” section. SM highlighted the queries regarding whether this Modification will be submitted as self-governance and if it is, this section may not be required.

Mathew Chandy (MC) advised that Ofgem do monitor timelines and his understanding is that this will report to Panel on 20 June. Any decision timelines that Ofgem need to bear in mind, should this go to authority direction, will be taken into consideration with the timeline.

RHa raised that there may be a potential for a shorter consultation. SM agreed, highlighting that this may be possible as this Modification acts as an enhancement to existing services. If the decision is to go for authority direction, this could increase the timeline by another month or more. This discussion had been captured under the “timeline commentary” section in the Report. SM further noted that it would be useful to capture that the development of the Modification has been joint with very little contention.

RHa questioned who the Class 2 consumers are. SM explained that Class 2, in aggregation, is non-domestic only. SM advised that he was unsure if there was a limit but there has to be the minimum consumption of 100,000kWh daily. ER added that from a data perspective, CDSP have considered the market sector.

RHa advised that she would suggest to EF the opportunity to expedite the timetable and asked PL to discuss this with PH.

The worked examples that PH presented to the Workgroup in the last meeting are to be included under the “Workgroup Impact Assessment” section.

The Workgroup discussed the implementation and queried the date. PL advised that 20 June had been included as a temporary date and he will be discussing further with PH to confirm if this date is still suitable. The Workgroup agreed that the focus should be on the amendments to ensure that the process is expedited.

An update was added to the Workgroup Report to reflect that some participants of the Workgroup wish to challenge that the Modification is subject to the self-governance procedure. RHa advised that Panel can consider this aspect and put forward their thoughts and decide how to proceed.

RHa advised she will get the new version of the Workgroup Report published, to encompass the amendments made by the Workgroup.

**3. Next Steps**

None.

**4. Any Other Business**

None.

**5. Diary Planning**

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

All other Joint Office events are available via: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 04 April 2024	5 pm Wednesday 27 March 2024	Solihull/ Microsoft Teams	Finalise Workgroup Report