

# UNC 0818

Releasing of unused capacity under a specific set of circumstances

Proposers' response to the specific questions raised in initial representations from UNC Panel Consumer representatives.

## Domestic Consumer Representative questions

1. This Modification gives the GDNs the power to dictate large DM sites that have booked capacity and not used it, which may be for a number of reasons – one of which currently may be due to increased gas costs. Where no relationship exists between the customer and the GDN, do Workgroup members think this is appropriate where GDN decisions may have adverse impacts on large sites such as I&C production sites and hospitals?

This question is being considered by workgroup.

In response to the queries raised by the Panel member and some workgroup participants regarding hospitals please be advised that V2 of the modification will have an additional criterion which excludes site where there is a risk to life. 'The site must not be a Priority Consumer Category A site (as defined by Secretary of State)' .

Similarly, please note that reduction of capacity does not stop a site from exceeding their SOQ but introduces incentives for the capacity not to exceed the booking (e.g., Ratchet Regime).

2. The Modification directs that communications regarding this imposed capacity reduction are passed to the customer via the Shipper. What would happen if this communication route breaks down and the GDN imposes a capacity reduction on the customer without their knowledge? Would the GDN carry the legal liability for any losses incurred by the customer?

This question is being considered by workgroup and proposer.

There would be an obligation introduced into code on the Shipper, and whilst code should not be expected to have additional clauses to protect from the consequences of a party failing to meet its obligations, the workgroup acknowledges the potential risk of impact to a 3<sup>rd</sup> party. The contract(s) between Shipper / (Supplier) and Site is a commercial arrangement, and it is already the responsibility of the Shipper to ensure that all UNC obligations are managed as part of this. Networks do not currently take responsibility for any liabilities incurred by a site should a Shipper fail in their obligations under code, this would be no different.

3. What costs have been incurred by consumers as a result of the issue set out in the problem statement - costs of constraint and unnecessary reinforcement etc".

Historically data has not been retained specifically around capacity bookings and usage for individual sites in areas where reinforcement has happened in the past, so this data cannot be provided. However, the proposer is working with internal teams, and other networks, to assess the potential cost of reinforcement in the future for currently restrained areas of networks so this can be provided to workgroup at an aggregate level.

## Industrial Consumer Representative questions

4. In a future when demand is predicted to fall, why would a GDN want to prevent a consumer from paying for capacity they are not using?

This modification is intended to free up held unused 'sterilised' capacity, where other users would benefit from it (i.e. where DNs had to reject capacity nominations or identify specific reinforcement costs through applications for new connections).

5. With domestic demand under threat with the Government pushing heat pumps, the remaining gas consumers are already facing increases in GDN charges, why turn away revenue from large consumers who are prepared to pay for capacity they may not use?

Again as above

6. At a time when many businesses are under threat of closure this modification sends out the wrong message to the industry. I would also suggest it should be a time to reassess demand requirements before making this step.

In a time when businesses are under threat of closure holding unused capacity, in areas where capacity is not freely available, is potentially preventing existing businesses who want to expand or new businesses from being able to connect. Sterilising capacity and preventing this new growth from other consumers is what we are trying to prevent.

7. As the mod says, the GDN already has the power to discuss a site's usage with its owner. The GDN should use the power of persuasion and not be dictatorial in bringing about the change they require and ignoring their consumers desire. The GDN has the power to advise the Shipper of the sites uses.

Under the SPOR process it is the shipper that has the conversations with the site (not the GDN). From an NGN perspective, we do not always have engagement from every shipper, and those that do, do not always receive engagement from the site. In the limited cases where the process outcome is an agreement of a reduction in capacity, the actual capacity reduction rarely, if at all, occurs.

8. I am opposed to giving the GDN the power to independently decide how much capacity a site can have.

We acknowledge this as a personal opinion, which, of course, everyone is entitled to. NGN do expect that this modification will not be liked by everyone, however we appreciate all the views and comments received via workgroup and consultation.

Do note also that the Modification includes an appeal process that is intended to enable discussion amongst all parties involved. Hopefully the answers to the other questions posed will give some additional clarity and reassurance around the reason for this modification and its limited scope.

9. Unless any reduction in capacity demand is immediately replaced by new consumers, charges for all remaining users will automatically increase to recover the GDN's allowed revenue.

We anticipate that the sites will be in an area where there is little or no available capacity for other users. Part of the history of sites that will be considered is whether we have had nomination referrals that have had to be rejected due to unavailable capacity, therefore we would expect a take up of the capacity by other parties. History of new connection requests that resulted in specific reinforcement costs to the applicant, and then not taken up, will also be considered when assessing the potential sites that this may impact. This is the reason for the modification, i.e. to free up unused capacity for others who require it where there is currently none available.

We do however accept that this cannot be guaranteed, so whilst unlikely, there is the possibility that this could happen.

10. Many consumers, including domestic, will have last used their maximum demand in March 2018, more than 4 years ago, which negates the three years contained in the modification.

Making an assumption that this date is potentially an error, and that this refers to Covid, (1<sup>st</sup> lockdown was from March 2020): The Modification is drafted as '3 years with extra time taken into account for periods of exceptional circumstances', therefore counting both Covid and the energy crisis as exceptional circumstances would currently extend the period of assessment back to 3 years pre Covid, (to March 2017) which in reality is at least a 6 year assessment period).

It should also be noted that domestic sites are excluded from the modification due to one of the specific criteria the site has to meet being 'That the Site is in Class 1'.

11. Perhaps there is a role for the amended Demand Side Response product to encourage large consumers to reduce their firm capacity bookings with the balance made up by DSR. Alternately consumers requesting a new connection could be offered a non-firm capacity booking linked to DSR.

The DSR is an NTS only product (i.e. not available to Distribution Networks) and is specifically around voluntary curtailment to reduce impact of a Gas Deficit Emergency on Firm Load Shedding requirements. This is therefore not relevant to UNC modification 0818.

*Responses prepared for 27 October 2022 Distribution Workgroup.*