

UNC Workgroup 0866S Minutes
Amendments to Demand Side Response (DSR) Arrangements
Thursday 04 April 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Niamh Holden (Secretary)	(NH)	Joint Office
Aidan Lo	(AL)	Joint Office
Adam Bates	(AB)	SEFE Marketing & Trading
Adam Lane	(AL)	Spirit Energy
Alex Nield	(AN)	Storenergy
Amy Howarth	(AH)	Storenergy
Anna Shrigley	(AS)	ENI
Bethan Winters	(BW)	Wales & West Utilities
Bernard Kgomotso	(BK)	Spirit Energy
Carlos Agguire	(CA)	Pavilion
Chris Wright	(CW)	Exxon Mobil
Claire Scarfe	(CS)	Cadent
Conor McClarin	(CM)	National Gas Transmission (NGT)
Ellie Rodgers	(ER)	Xoserve
Hannah Reddy	(HR)	Corella on behalf of Xoserve
Gavin Williams	(GW)	National Gas
James Lomax	(JLa)	Cornwall Insight
Joseph Leggott	(JL)	Interconnector
Josie Lewis	(JLe)	Xoserve
Julie Cox	(JC)	Energy UK
Louise Hellyer	(LH)	Total Energies Gas & Power
Lauren Jauss	(LJ)	RWE
Malcolm Mackenny	(MM)	National Grid Grain LNG
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	ENI
Matthew Atkinson	(MA)	SEFE Energy
Matthew Brown	(MB)	Ofgem
Mathew Chandy	(MC)	Ofgem
Michael Crowley	(MCr)	Gas Networks Ireland
Nick Wye	(NW)	Waters Wye
Ofordi Nabokei	(ON)	National Gas Transmission
Phil Hobbins	(PH)	National Gas Transmission
Phil Lucas	(PH)	National Gas Transmission
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Samantha Wilson	(SW)	Spirit Energy
Thomas Haffke	(TH)	European Commodity Clearing AG
Tim Gwinnell	(TG)	South Hook Gas

Tim Davis	(TD)	Barrow Gas Shipping
Tracey Bogan	(TB)	Neptune Energy
<p><i>The Workgroup Report is due to be presented at the UNC Modification Panel by 20 June 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/0866/040424.</i></p>		

1. Introduction and Status Review

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

1.1 Approval of Minutes (25 March 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 – Business Rules

Amended Modification

Phil Hobbins (PH) took the Workgroup through V3 of the Modification and noted that only few amendments had been made:

Business Rule 13/14

NGT recognised that there is a risk that the demand estimate might be inflated; it was previously proposed that the option fee instalment for November, December and January would be paid by NGT but the instalments for the option fees for February, March and April would be withheld until after the winter period where actual daily demand could be compared against the forecast. As long as it was within a 10% tolerance the remaining option fee instalment would be released.

A Participant within the previous Workgroup questioned whether all option fee instalments should be withheld until post-winter. PH advised that in discussions with consumers they said withholding all instalments might be too much of a disincentive and hinder growth to the Market.

It was decided that an amendment would be made to Business Rule 14 to state that consumers would receive a third of the payment, namely the November and December instalments and the remainder are withheld.

Louise Hellyer (LH) expressed her support for this change, noting that it still provides consumers with the incentive but mitigates the risk of overinflation of the option fee.

Impacted Codes

PH questioned whether there was confirmation that the IGT Network Code was not impacted within the previous Workgroup. Phil Lucas (PL) advised that an IGT representative, Charlotte Gilbert (CG) made a comment to this effect and that it was recorded in the minutes and the draft workgroup report.

It was decided that this would be further discussed within the Workgroup and V3 would not need to be amended to reflect this.

Legal Text

PH took the Workgroup through the changes to the Legal Text and noted the following changes:

- 7.2.2 – Correction of previous error: ‘National Grid Transmission’ amended to ‘National Gas Transmission’
- 7.2.5 – Legal Text amended to reflect change to Business Rule 14.
- 7.6.2 c (iiii) – Amended from ‘referred to in paragraph 7.5.2 D & E’ to ‘referred to in paragraph 7.5.2’. PH explained that D refers to average demand forecast which isn’t taken into account and is not relevant as far as provisions of 7.6.2 are concerned.
- 7.6.2 b (ii) – Amended to reflect that qualification applies only to within day options, whereas previously it applied to everything.
- 7.6.8 – Amended to include the qualification factor introduced in 7.6.2 b (ii).

Workgroup Report

EF shared the draft Workgroup Report with the Workgroup.

The Workgroup discussed the self-governance element of this Modification and its comparison to Modification 0852. PH explained that whilst when compared Modification 0852, they recognise that the Modification could widen the potential pool of DSR participants, he argued that in itself it would not reach the authority direction bar. In addition, Modification 0852 posed a challenge in principle to which parties should be responsible for providing notifications and would change the routes of communications and would be a more material change. No further comments were made by the Workgroup.

EF proposed that the timetable included within the Workgroup be removed as it reflects the same timetable within the Modification. PH noted that the timetable within the Modification differs in that it states that the Panel decision would be on 20 June 2024, but it is proposed that there is a slightly reduced consultation period as the Modification is now viewed as non-contentious. PH questioned whether the Workgroup would support a shorter consultation period so that the Modification can be brought back to the Panel in May 2024. LH confirmed she was comfortable with a shorter consultation period. No Workgroup Participants objected to the proposal.

PH noted that the Workgroup Report needed to be updated to reflect that it is now believed there is no impacted codes.

EF confirmed that an update to the Workgroup Report would be needed following receipt V3 of the Modification to reflect the change to Business Rule 13/14.

The Workgroup discussed the ‘Impact of the change on Consumer Benefit Areas’. When reviewing PH the reduced environmental damage benefit, PH noted that the Report needed to be amended to state, ‘there is a view that in the event of a gas supply shortage incident consumers might then switch to an alternative fuel anyway’, instead of ‘will then switch’.

LH advised that this is not a new issue, explaining that there is a pre-existing risk that consumers will switch over the opposite fuel, which is a known problem within DSR. LH noted that this Modification only addresses the need for more participants.

PL clarified that the previous discussion on this matter, and that it was preferable to have a small quantity of parties needing to switch to an alternative fuel source.

The 'Cross-Code Impacts' section of the Report was discussed.

PH proposed the removal of sentence 'IGT UNC may need a consequential change for consistency as has been the case for other recent DSR related Modifications' as this is already covered within the Modification. This was removed from the Workgroup Report.

Ellie Rodgers (ER) questioned whether it was worth confirming within the Report that IGT sites are in scope. This was noted within the Report.

PH noted that the no IGT modification is likely to be required because the IGT UNC points to the UNC in respect of gas DSR provisions.

When discussing 'Central System Impacts', ER noted that the CDSP were comfortable with the detail included within the section and advised that have not yet provided a ROM cost as based on the current volumes it could be managed under existing processes and resources but noted that this would be kept under review.

ER advised that NGT will be raising a DSC Change Proposal for consideration at the April Change Management Committee Meeting.

PH confirmed that the accompanying rationale proposed within TPD D paragraph 7.2.5, needed no ex-ante verification and therefore there would be no additional work for the CDSP.

PH noted for the avoidance of doubt that the change to V.02 Modification in that consumers will receive a third of the payment instead of a half, it will change what the CDSP need to do but it is immaterial.

In respect of the Panel Questions, EF noted that the enhancement has been brought forward from the context of the request group 0835R and in response to other feedback from consumer groups. Workgroup participants agreed that the proposed amendments under this Modification are appropriate as they build incrementally on those already in place.

PH added that there may be need for a reassessment following the summer 2024 tender, and question what the aggregate volumes are and discuss the total cost of options. This would be helpful to access the responses. This might be a report to the Transmission Workgroup in autumn 2024 to consider whether any further development is justified.

PH noted that there was a typographical error within 'Workgroup Impact Assessment'; 'Shoipper' was corrected to 'Shipper'.

EF confirmed that the proposal was amended to V3.0 and the change there adjusted to proportion of the option payment that would be made where the calculation has been based on estimate of demand rather than the default WAD.

When discussing 'Reference Documents', PH confirmed that a change to the DSR Methodology is expected to be required and that a consultation would then be issued. This is a further reason to accelerate the timetable so that this can be completed in good time.

In addition, a revision to the consumer contract will be required and PH suggested that this would be consulted upon.

EF reminded the Workgroup of the Relevant Objectives within the Workgroup Report and asked whether any Workgroup Participants had any objections to the proposed objectives. No objections were made.

PL questioned whether the date provided, being 20 June, was accurate for a decision on this Modification, in time for inclusion in the tender. PH confirmed that this was correct.

In respect of the Legal Text, EF confirmed that further revision to the text were reviewed by the Workgroup against V.3 of the Modification and asked Participants whether they were satisfied that this meets the intent of the Modification. LH agreed that it did satisfy the intent.

The Workgroup agreed with the wording under the 'Recommendations' section. No further comments were received from the Workgroup in relation to the Workgroup Report.

3. Next Steps

The Workgroup report will be submitted to the Modification Panel in April.

4. Any Other Business

None.

5. Diary Planning

No further meetings planned.