

Modification proposal:	Independent Gas Transporter Uniform Network Code (IGT UNC) 167: Alignment of the IGT UNC with UNC NGT Demand Side Response Arrangements (IGT 167)		
Decision:	The Authority ¹ directs ² that this modification be made		
Target audience:	IGT UNC Panel, Parties to the IGT UNC and other interested parties		
Date of publication:	31 August 2023	Implementation date:	31 August 2023

Background

Gas Demand Side Response (DSR) is a voluntary demand reduction scheme which is intended to reduce the likelihood, severity and duration of a gas supply emergency, in the event that one occurs, by providing a route for large consumers to receive greater financial compensation by voluntarily curtailing their demand, than if they were involuntarily curtailed during an emergency. Each year National Gas Transmission (NGT) issues an invitation to all Users³ to offer DSR quantities for the next three Winter Periods.⁴ The DSR arrangements take the form of distinct “option” and “exercise” stages with separate payments for each.⁵ These “DSR options” would be exercised in the event that a Margins Notice or a Gas Balancing Notification was called in any of those Winter periods.⁶

¹ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ For the purposes of these Rules, references to a User includes a Relevant Shipper:

<https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2022-11/20%20Modification%20Rules.pdf>

⁴ A ‘Winter Period’ is defined as being the period from 1st November in any year up to and including 30 April in the following year.

⁵ A “DSR Option”, as stated in the UNC TPD Section 7.1.2.(a) is defined as “a commitment from the Registered User of an eligible Supply Point to post DSR Market Offers in a particular Winter Period. “Exercise”, as stated in the UNC TPD Section 7.1.2.(d) is defined as the “acceptance of a DSR Market Offer (in accordance with paragraph 5 of Annex D-1) posted under a DSR Option”: <https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2023-07/Transportation%20Principal%20Document%20%28Consolidated%2C%20printable%20version%29.pdf>

⁶ A Margins Notice is a D-1 notification and a Gas Balancing Notification can be issued either within day or at D-1.

Enhancements to the DSR product have been made through several UNC code modifications, including UNC822⁷, UNC833⁸, UNC844⁹ and UNC845¹⁰. At present, these DSR arrangements do not exist within the IGT UNC and as such, eligible IGT-connected consumers are currently unable to participate in DSR.

The modification proposal

On 04 July 2023, BUUK (“the Proposer”) raised IGT UNC modification IGT UNC167: ‘Alignment of the IGT UNC with UNC NGT Demand Side Response Arrangements’.¹¹ This modification aims to introduce the following DSR arrangements (that exist within the UNC) to the IGT UNC:

- allowing eligible IGT-connected consumers to participate in NGT’s DSR Options tender process (via their shipper) for within-day, D-1 and D-5 DSR
- allowing NGT to effect DSR trades with shippers that don't have access to the On-the-day Commodity Market (OCM) on behalf of IGT-connected consumers
- allowing Class 1 IGT-connected consumers to engage in direct contracting arrangements with NGT for the purposes of DSR
- allowing Class 2 IGT-connected consumers to participate in DSR

IGT UNC Panel¹² recommendation

At the IGT UNC Extraordinary Panel meeting on 17 August 2023, the IGT UNC Panel unanimously agreed that IGT167 would better facilitate the IGT UNC objectives and the Panel therefore recommended its approval and implementation.

We note that the Panel unanimously agreed that no Workgroup meetings would be required for this modification and it went straight out for a 10-working day consultation. The Panel

⁷ UNC822 Decision Letter: <https://www.ofgem.gov.uk/publications/unc822-reform-gas-demand-side-response-arrangements-decision>

⁸ UNC833 Decision Letter: <https://www.ofgem.gov.uk/publications/unc833-and-dsr-methodology-decisions>

⁹ UNC844 Decision Letter: <https://www.ofgem.gov.uk/publications/unc844-enabling-direct-contractual-arrangements-consumers-demand-side-response-decision>

¹⁰ UNC845 Decision Letter: <https://www.ofgem.gov.uk/publications/unc845-enhancements-demand-side-response-dsr-arrangements-including-d-5-product-decision>

¹¹ IGT167: <https://www.igt-unc.co.uk/igt167-alignment-of-the-igt-unc-with-unc-ngt-demand-side-response-arrangements/>

¹² The IGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the IGT UNC Modification Rules

agreed that the relevant DSR reforms have been fully debated and scrutinised under the UNC. As such, a Panel Member added that there is no risk in the modification assessments and to working to the shortened timescales for this modification.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 17 August 2023. We have considered and taken into account the responses to the industry consultation(s) on the modification proposal which are attached to the FMR.¹³ We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the IGT UNC;¹⁴ and
- directing that the modification be made is consistent with our principal objective and statutory duties.¹⁵

Reasons for our decision

We consider this modification proposal will better facilitate IGT UNC objectives (a) and (b) and will have no impact on the other IGT UNC objectives.

a. the efficient and economic operation of the pipe-line system to which this licence relates

The Proposer considers that this modification will have a positive impact on IGT UNC objective (a) as extending current DSR arrangements to IGT-connected consumers will help to mitigate the risk of a potential supply shortage escalating into a Gas Deficit Emergency (GDE).¹⁶ They also state that, should a GDE be declared and progress to Stage 2, then compulsory firm load

¹³ IGT UNC modification proposals, modification reports and representations can be viewed on the IGT UNC website at <http://www.IGT-unc.co.uk/>

¹⁴ As set out in Standard Condition 9 Gas Transporters Licence, available at:

https://epr.ofgem.gov.uk/Content/Documents/Gas_transporter_SLCs_consolidated%20-%20Current%20Version.pdf

¹⁵ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

¹⁶ A Gas Deficit Emergency is a Network Gas Supply Emergency which arises as a result of a supply/demand imbalance, a transportation constraint or a potential or actual breach of a Safety Monitor.

shedding would result in disruption and inefficiency in the operation and use of the network, as some parties who would wish to be taking gas would be prevented from doing so. Panel members highlighted that these discussions have been resolved under the UNC. They unanimously agreed with the Proposer's assertion of the positive impacts on IGT UNC objective (a). Consultation respondents also shared this view and a respondent noted the modification will help to widen the pool of customers who can participate in DSR which would help to reduce the risk of a GDE occurring.

We consider that this modification would better facilitate IGT UNC objective (a) as it will allow eligible consumers connected to the IGT network to participate in DSR, thereby reducing the barriers to entry. As more consumers will be able to participate, this could increase the potential volumes of DSR, and help NGT to effectively respond to a supply shortage, in the event that one occurred. This will result in a more inclusive and effective DSR tool.

b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters

The Proposer considers that this modification will also have a positive impact on IGT UNC objective (b) as it would help to mitigate against a GDE. The Proposer states that if a GDE occurs, in addition to firm load shedding on the NTS, Independent Gas Networks may be given instructions to implement load shedding within their networks, which would result in significant disruption and inefficiency. Panel members and consultation respondents agreed with the Proposer's assertion of the positive impacts on IGT UNC objective (b).

We consider that this modification has a positive impact on IGT UNC objective (b). We consider that the modification will strengthen the DSR tool by reducing barriers to entry by allowing eligible IGT-connected sites to participate and offer DSR. If more sites are able to participate in DSR, this may increase volumes of DSR, which should help NGT respond to a supply/demand imbalance and therefore reduce the likelihood or severity of a GDE. As a result, it may mitigate some of the consequences of a GDE, such as enforced load shedding at the national, distribution and IGT level, which would cause disruption to the overall operation of the pipe-line systems.

Further comments

Enhancements to the DSR product have been made through several UNC code modifications, including UNC822, UNC833, UNC844 and UNC845. These modifications were scrutinised and debated during UNC workgroup meetings. We approved these modifications and have set out our detailed reasoning in our decision letters. As this modification mirrors these proposals, our previous reasoning also applies here.

Decision notice

In accordance with Standard Condition 9 of the Gas Transporter Licence, the Authority hereby directs that modification proposal IGT UNC 167: 'Alignment of the IGT UNC with UNC NGT Demand Side Response Arrangements' be made.

Maryam Khan

Head of GSO Regulation – Energy Systems Management and Security

Signed on behalf of the Authority and authorised for that purpose