

To: National Gas Transmission Plc

**Gas Act 1986
Section 23(2)**

Notice of statutory consultation on a proposal to modify the Special Conditions of the Gas Transporter Licence held by National Gas Transmission Plc

1. The Gas and Electricity Markets Authority ("the Authority")¹ proposes to modify the Special Conditions of the Gas Transporter Licence ("the Licence") held by National Gas Transmission Plc ("the licensee") granted or treated as granted under section 7 of the Gas Act 1986 by amending the following:
 - Special Condition 1.1 - Interpretation and definitions – Part B: Definitions
 - Special Condition 9.22 - Implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing Notification.
2. We are proposing these modifications to ensure there is consistency between the licence and both the Uniform Network Code ("UNC") and the licensee's Demand Side Response ("DSR") Methodology regarding gas DSR.
3. DSR is a voluntary gas demand reduction tool that is intended to reduce the likelihood, severity and duration of potential gas supply emergencies. This is done by allowing large, Daily Metered ("DM") gas consumers to receive financial compensation for voluntarily reducing their gas demand. Reforms have been implemented to DSR since 2022, through various UNC modifications and licence derogations.
4. The proposed modifications intend to ensure the Licence is consistent with recent reforms, whilst ensuring that future DSR reforms can be implemented through established governance processes given in the UNC and the DSR Methodology where appropriate, helping to further enhance security of supply in Great Britain.
5. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively they are available from information.rights@ofgem.gov.uk.
6. Any representations with respect to the proposed licence modifications must be made on or before **11 April 2024** by email to: energy.securityofsupply@ofgem.gov.uk or by post to: Mathew Chandy, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU.

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.

7. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
8. If we decide to make the proposed modifications they will take effect not less than 56 days after the decision is published.

Helen Seaton

Interim Head of Energy Security of Supply and Gas Markets

Duly authorised on behalf of the Gas and Electricity Markets Authority

11 March 2024

We have included the sections of the special conditions we are proposing to amend below. Deletions are shown in ~~strike through~~ and new text is double underlined.

Chapter 1: Interpretation and definitions

Special Condition 1.1 Interpretation and definitions

Part B: Definitions

Demand Side Response	means the provision of gas to the licensee by a contracting party in respect of a DMC Supply Point Component <u>means the voluntary reduction of gas demand by either a party to the Uniform Network code in respect of a DMC Supply Point Component or DMA Supply Point Component, or directly by a gas consumer, as agreed with National Gas Transmission and in accordance with the Uniform Network Code.</u>
Demand Side Response Methodology	means a methodology maintained pursuant to and in accordance with the principles set out in part A of Special Condition 9.22 (Implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing Notification).
Demand Side Response Offer	means an offer to provide Demand Side Response. <u>This can take the form of an offer via the DSR Option Invitation or an offer made on the On-The-Day Commodity Market.</u>
<u>DMA Supply Point Component</u>	<u>has the meaning given to that term in the Uniform Network Code.</u>
<u>DSR Option Invitation</u>	<u>has the meaning given to that term in the Uniform Network Code.</u>

Special Condition 9.22: Implementing and maintaining the Demand Side Response Methodology for use after a Gas Balancing Notification

Introduction

9.22.1 This condition sets out the licensee's obligations to:

- (a) have in place and maintain the Demand Side Response Methodology for assessing and accepting Demand Side Response Offers;
- (b) ~~Not used~~ where directed by the Authority, run a trial of the Demand Side Response Methodology with any revisions proposed under paragraph 9.22.6(b); and
- (c) ~~Not used~~ following such a trial, send to the Authority a report on the outcome of the trial and a version of the Demand Side Response Methodology amended to address issues identified by the licensee during the trial and, if appropriate, containing any further proposed revisions to the Demand Side Response Methodology following conclusion of the trial.

Part A: The Demand Side Response Methodology

9.22.2 The licensee must have in place and maintain a Demand Side Response Methodology approved by the Authority.

9.22.3 The licensee must ensure that the Demand Side Response Methodology:

- (a) ensures that any party making a Demand Side Response Offer is a party to the Uniform Network Code or a gas consumer that is eligible to participate, in accordance with the Uniform Network Code;
- (b) ~~Not used~~ sets out the criteria for determining that particular DMC Supply Point Components are DMC Supply Point Components in respect of which a party may not make Demand Side Response Offers;
- (c) ~~Not used~~ allows the licensee to accept Demand Side Response Offers only where a Gas Balancing Notification is in place or within stage 1 of a Gas Deficit Emergency;
- (d) ~~Not used~~ demonstrates compatibility with existing market arrangements by setting out the manner in which any Demand Side Response Offers accepted by the licensee are to be treated as Eligible Balancing Actions and included in the System Clearing Contract, System Marginal Buy Price and System Marginal Sell Price;

- (e) promotes, and further facilitates, parties making Demand Side Response Offers to the licensee through open and transparent market-based arrangements, in accordance with the Uniform Network Code;
- (f) does not unduly preclude the emergence of commercial interruption arrangements;
- (g) minimises distortions and unintended consequences on existing market arrangements and the principle of parties balancing their own positions in the wholesale gas market; and
- (h) ensures that Demand Side Response is procured in a manner consistent with the licensee's duties under the Act and, in particular, the licensee's obligation to operate the pipeline system to which this licence relates in an efficient, economic and co-ordinated manner.

Part B: Revising the Demand Side Response Methodology

- 9.22.4 The licensee must, at least once in every period of two Regulatory Years, review, and if appropriate revise, the Demand Side Response Methodology in consultation with interested parties.
- 9.22.5 The consultation must allow a period of not less than 28 days in which interested parties can make representations to the licensee.
- 9.22.6 During the period of 7 days beginning with the date of completion of the consultation, the licensee must send to the Authority:
- (a) a report on the outcome of the review;
 - (b) a statement of any proposed revisions to the Demand Side Response Methodology that the licensee (having regard to the outcome of the review) reasonably considers would better achieve the Demand Side Response Methodology principles; and
 - (c) any written representations (including proposals for revising the statement that have not been accepted by the licensee) that were received from interested parties during the consultation process and have not been withdrawn.
- 9.22.7 The Authority, within 28 days of receiving a report under paragraph 9.22.6(a) and a statement under paragraph 9.22.6(b), will:
- (a) approve any proposed revisions; or
 - (b) ~~Not used~~ direct the licensee to conduct a trial of the revised Demand Side Response Methodology to assess the effectiveness of the methodology and any revisions proposed by the licensee under paragraph 9.22.6(b); or
 - (c) reject any proposed revisions.

9.22.8 In considering whether to approve the licensee's proposed revisions to the Demand Side Response Methodology, the Authority will have regard to whether they are consistent with the objectives in paragraph 9.22.3.

Part C: Not used Trial and implementation

~~9.22.9 Where the Authority directs the licensee to conduct a trial of the Demand Side Response Methodology comprising the proposed revisions as outlined in paragraph 9.22.7(b), the licensee must during the period of 28 days beginning with the last day of the trial submit to the Authority a report on the outcome of the trial, including any further proposed revisions (having regard to the outcome of the trial) to the Demand Side Response Methodology.~~

~~9.22.10 Following completion of the trial and during the period of 28 days beginning with the date of receipt of the submissions under paragraph 9.22.9, the Authority will:~~

- ~~(a) approve any proposed revisions and direct the licensee to:
 - i. develop appropriate modifications to the Uniform Network Code and other processes and systems to enable it to implement the revisions to the Demand Side Response Methodology;
 - ii. implement the revisions to the Demand Side Response Methodology as soon as is reasonably practicable and once the modifications, processes and systems under paragraph 9.22.10(a)(i) are complete; and
 - iii. publish the final revised Demand Side Response Methodology on its website and in such other manner as the Authority may direct; or~~
- ~~(b) reject any proposed revisions to the Demand Side Response Methodology.~~

~~9.22.11 Where the Authority does not provide a direction under 9.22.7 or 9.22.10, the licensee must not implement the proposed revisions.~~

Part D: Exception to compliance with condition

9.22.12 The licensee may apply to the Authority for a derogation relieving the licensee of any of its obligations under this condition.

9.22.13 The Authority may, having consulted with the licensee and interested parties, direct that the licensee must temporarily or permanently cease operation of the Demand Side Response Methodology.