Uniform Network Code (UNC) 0923: Disapplication of TPD Section D7 (DSR Options) for 2026 only (UNC0923)

Decision:	The Authority[1] has decided to reject this modification[2]
Target audience:	UNC Panel, Parties to the UNC and other interested parties
Date of publication:	13 July 2026
Implementation date:	To be confirmed by the code administrator

Background

This Proposal seeks to temporarily remove the obligation on National Gas Transmission (NGT) to operate a tender process for pre-contracted Demand Side Response (DSR) which is otherwise triggered by the launch of an annual DSR Option Invitation to tender, typically during July. This removal is sought for 2026 only, hence in absence of any further change, the obligation would apply again from 2027.

Gas DSR arrangements allow consumers to voluntarily reduce demand in times of system stress (ie insufficient gas supplies to meet forecast demand) to assist in maintaining an operational balance on the total system. These volumes can either be offered 'on-the-day' when NGT requests them in response to a specific event or agreed in advance through an annual tender process. Under the annual process, providers commit volumes that NGT can call on later if the gas system comes under stress.

[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.

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In return for providing DSR, participants are paid when NGT accepts an on-the-day offer. Under pre-contracted arrangements, participants receive one payment for making volumes available and a second payment if NGT later uses those volumes. DSR payments are expected to be higher than the compensation available to consumers whose gas supply is reduced under emergency arrangements. This gives consumers a financial incentive to reduce their demand voluntarily through DSR. DSR also helps to reduce the risk of a Network Gas Supply Emergency (NGSE) and, if one does occur, can reduce its severity and duration. This reduces the need to cut consumers' gas supplies involuntarily and helps protect industrial consumers and the wider gas industry from the resulting impacts.

The modification proposal

On 06 February 2026, NGT raised the modification proposal, UNC0923 (the Proposal), which would temporarily defer the 2026 DSR tender for pre-contracted DSR for the reasons explained below.

NGT considers that, despite the growth in the market each year, the pre-contracted service has not attracted enough volume to provide a significant benefit during periods of system stress. NGT also pays for contractual options under this service, with the costs recovered from all shippers through Energy Balancing Neutrality charges. NGT is therefore concerned that these costs may not represent an efficient or economic use of consumers' money.

NGT believes that DSR continues to have value. Having considered several options, it has concluded that deferring the 2026 tender is the right step at this time. This will allow NGT to:

- develop a plan to encourage more consumers to participate in DSR
- consider the outcome of the DESNZ consultation on gas system resilience, published on 26 November 2025

The proposal would only defer the 2026 tender. The existing arrangements would remain in place for future years.

UNC Panel[3] recommendation

At the UNC Panel meeting on 21May 2026, a majority of the UNC Panel considered that the Proposal should not be implemented, with 12 members voting against the implementation and two voting for. The Panel therefore did not recommend its approval.

The Panel was split in their consideration of the impacts on two of the Transporters' Relevant Objectives: a) Efficient and economic operation of the pipe-line system and f) Promotion of efficiency in the implementation and administration of the Code. There were no identified impacts for the other Objectives.

There were four respondents to the consultation on this proposal; two respondents were in favour and two were against.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 21 May 2026. We have considered and taken account of the responses to the industry consultations on the Proposal which are attached to the FMR[4]. We have concluded that:

- implementation of the Proposal will not better facilitate the achievement of the relevant objectives of the UNC[5]

[3] The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.
[4] UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at Joint Office of Gas Transporters
[5] As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: Licences and licence conditions | Ofgem

Reasons for our decision

We consider this Proposal will not better facilitate UNC objectives (a) and (f) and has a neutral impact on the other objectives.

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

We note the proposer's view that implementation would better facilitate this objective by avoiding costs that do not provide value for money for NGT and Users. The proposer believes that deferring the 2026 DSR tender would give NGT time to review the DSR arrangements considering the DESNZ consultation on gas supply resilience.

The proposer notes that participation in the scheme has been low since 2022 and does not expect this to change significantly by 2026 without wider reforms. In its view, deferring the tender would provide time to consider the outcome of the DESNZ consultation and engage further with stakeholders on the future of the scheme.

The proposer also believes that deferring the 2026 tender would avoid the costs and administrative effort involved in running the tender, while preventing Users from paying for DSR volumes that are unlikely to make a meaningful contribution to security of supply if used.

Some Panel Members agreed with the proposer's view that implementation would have a positive impact. They echoed the proposer's position that, given the NGT does not expect the current scheme to deliver the outcomes needed in 2026, running the 2026 tender process would not align with NGT's obligation to operate an efficient and economic system. It was noted that the volume threshold set for 2025 was constructed on actual data, which would not be available for 2026.

However, other Panel Members questioned NGT's rationale. They noted that the outcome of the 2026 tender cannot be known until it has been run and that, given the current geopolitical situation, the tender could deliver better results than in previous years.

Panel Members noted that the 2025 outcome, which resulted in no accepted volume, reflected NGT's internally set minimum threshold rather than a lack of offers they considered that the DSR market remains relatively immature. In their view, retaining the current arrangements could improve participation in 2026 and future years by maintaining market momentum, supporting price and volume discovery, and encouraging new types of participants to enter the market.

Stakeholders highlighted that even modest volumes may provide marginal benefit in system stress conditions. One Workgroup Participant noted that in instances where a minimum volume threshold was in place, and no volumes were accepted, the tender process fulfils a critical function of volume and price discovery which would promote longer-term dynamic efficiency of the system.

There was broad concern that pausing the tender risks undermining system resilience during a period of significant geopolitical uncertainty. By reducing demand during periods of system stress, DSR participants can help reduce the risk of a gas supply emergency and limit its severity and duration if one occurs.

One respondent noted that DSR was introduced to strengthen gas supply resilience following Russia's invasion of Ukraine. Other respondents argued that, given the recent conflict involving Iran, it would be unwise to remove the scheme at this time.

Overall, we consider that this Proposal would have a negative impact on Relevant Objective (RO) (a).

We agree that avoiding costs that do not provide value for money for NGT and Users would better facilitate this Objective. However, this position relies on the assumption that the DSR scheme will not be effective in 2026. We consider that the evidence for this is limited. We also note the view that the scheme continues to offer benefits, even where participation levels are modest.

We agree with Panel Members' view that maintaining the scheme could lead to better results in 2026 and future years. We therefore consider that the evidence presented does not justify suspending the scheme for 2026.

Given the ongoing uncertainty surrounding gas supply security, we consider there to be insufficient justification for suspending the DSR scheme at this time.

(f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition

We acknowledge the proposer's view that suspending the 2026 DSR tender would avoid administration costs that it considers unnecessary. The proposer considers that a one-year suspension would provide time to consider the DESNZ consultation on gas supply security, engage with stakeholders and review the future of the DSR arrangements. The proposer believes that the low volumes secured since 2022 indicate that wider changes are needed.

The Panel was divided on this Relevant Objective. Some agreed that implementation of the modification would have a positive impact as the Gas DSR product needs to be improved and a pause in the operation of the product until 2027 would help to facilitate this. However, others argued that pausing the scheme would have little impact on costs or administration. They noted that the arrangements for running the 2026 tender are already part of NGT's business-as-usual activities under its price control. They also noted that participation in the scheme is voluntary and that participants choose whether to take part based on their own commercial interests.

We note one Workgroup Participant's view that the costs of introducing the pre-contracted DSR tool were largely incurred upfront. In their view, running the scheme for fewer years reduces the opportunity to realise the benefits of that investment. Crucially, those opposing the Proposal noted that any review of the arrangements could be carried out while the scheme continues to operate.

As outlined in relation to Relevant Objective (a), we consider that the proposer's view that these costs are "unnecessary" relies on the assumption that historical tender volumes provide a reliable indication of future participation. For the reasons set out above, we are not persuaded that this assumption provides a sufficiently reliable basis for suspending the scheme.

It is important to consider the wider context of concerns about Great Britain's gas supply security. Some Panel Members noted that, if a supply crisis were to occur during winter 2026/27 or subsequent 2 winters, reintroducing the scheme would require an Urgent Modification. Given the ongoing uncertainty surrounding gas supply security, we consider this a significant consideration. We also note the view that current geopolitical conditions could lead to stronger participation in the scheme than has been seen in previous years.

Overall, we consider that the Proposal relies heavily on assumptions drawn from historical participation levels. For the reasons set out above, we are not persuaded that the expected benefits of suspending the scheme outweigh the benefits of retaining it. We do not consider that historical tender volumes provide a sufficiently reliable indication of future participation, particularly given the continuing uncertainty surrounding gas supply security. We consider that the case for maintaining the scheme in 2026 is stronger than the case for suspending it.

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Our principal objective and statutory duties

The Authority's principal objective is to protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. Those interests of existing and future consumers are their interests taken as a whole, including:

(a) their interests in the reduction of gas-supply emissions of targeted greenhouse gases
(b) their interests in the security of the supply of gas to them
(c) their interests in the fulfilment by the Authority, when carrying out the duties set out in Article 40(a) to (h) of Directive 2009/73/EC, such as promoting effective competition, ensuring market transparency, supporting security of supply, monitoring market behaviour, and protecting consumers.

Consumer interest

We have considered the impact of this Proposal on consumers. The costs of running the annual pre-contracted DSR tender are recovered through balancing neutrality charges. The proposer argued that suspending the 2026 tender would avoid costs associated with procuring volumes that may not provide material benefit.

As discussed above, we are not persuaded that the evidence supports the conclusion that the scheme will not deliver benefits in 2026.

Maintaining the DSR scheme can help reduce the risk of a gas supply emergency and limit its severity if one occurs. This is in consumers' interests. Given the ongoing uncertainty surrounding gas supply security, we consider this an important consideration.

On balance, we consider that suspending the DSR tender for 2026 would expose consumers to greater risk and reduce longer-term market benefits. We therefore do not consider that approving the Proposal would be in consumers' interests.

Security of supply

We have given regard to the security of gas supply. DSR is an established tool that can help manage system stress by enabling voluntary demand reductions. This can reduce the likelihood and severity of a Network Gas Supply Emergency.

This Proposal would reduce the range of tools available to NGT. While the proposer highlighted historically low participation levels, we consider it important to retain this capability given the continuing uncertainty surrounding gas supply security and evolving supply risks.

Stakeholders noted that even small volumes can provide benefits during periods of system stress and that the mechanism supports overall system resilience. We agree that withdrawing the scheme, even temporarily, could weaken resilience at a time when it remains particularly important.

We therefore consider that the Proposal would not support security of supply and would weaken system resilience.

Reduction of gas-supply emissions of targeted greenhouse gases

We have considered the Proposal's contribution to sustainable development and emissions reduction. While DSR is not primarily intended to reduce emissions, it could reduce reliance on more carbon-intensive balancing actions during periods of system stress.

The Proposal does not demonstrate how suspending the DSR tender would contribute to Net Zero objectives. It may instead increase reliance on more carbon-intensive balancing actions and therefore have a neutral or adverse impact on emissions.

We therefore do not consider that the Proposal contributes positively to the Authority's duties in respect of emissions reduction.

Decision notice

In accordance with Standard Condition 9 of the Gas Transporter Licence, the Authority has decided that modification Proposal UNC 0923: '*Disapplication of TPD Section D7 (DSR Options) for 2026 only*' should not be made.

Hamsini Satchithananthan

Head of Gas Security and Flexibility

Signed on behalf of the Authority and authorised for that purpose