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National Grid Gas Plc, all other
parties with an interest in
balancing on the GB gas network

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Dear Colleague,

Statutory Consultation on the proposed modification of Special Condition 8I of National Grid Gas Plc's Gas Transporter Licence to amend all references to 'Gas Deficit Warning' (GDW) to 'Gas Balancing Notification' (GBN)

We are inviting views on above proposed modification to the National Grid Plc Gas (NGG) Transporter Licence ("the licence")¹. We² are proposing to amend all references in the licence to 'Gas Deficit Warning' (GDW) with 'Gas Balancing Notification' (GBN), to align the licence with the Uniform Network Code (UNC).

On 24 July 2019, we published our decision to approve UNC685³, raised by NGG, to amend the name of a GDW to a GBN. The meaning of the newly-named term GBN is identical to the current term GDW.

¹ National Grid Gas Plc (NTS), Gas Transporter Licence, Special Conditions.

<https://epr.ofgem.gov.uk//Content/Documents/National%20Grid%20Gas%20Plc%20-%20Special%20Conditions%20Consolidated%20-%20Current%20Version.pdf>

² The terms 'the Authority', 'we' and 'us' are used interchangeably in this document. The "Authority" means to GEMA, the Gas and Electricity Markets Authority.

³ See Ofgem's recent decision on UNC685: Amendment of the UNC term 'Gas Deficit Warning' to 'Gas Balancing Notification': <https://www.ofgem.gov.uk/publications-and-updates/unc685-amendment-unc-term-gas-deficit-warning-gas-balancing-notification>

The proposed licence modification is to align the licence and UNC, allowing NGG to accept Demand Side Response offers where a Gas Balancing Notification is in place. We would welcome responses from stakeholders on or before 13 November 2019.

Background

A GDW is issued by National Grid NTS in the event that they foresee a potential risk to the physical end-of-day gas balance, arising from a significant supply/demand event. It can be issued in advance of, or during, a gas day.

The purpose of a GDW is to signal to gas shippers (Shippers) that they should seek to either reduce their demand or increase their supplies, depending on their position in the market (i.e. to balance their portfolio).

A GDW does not necessarily mean there is insufficient gas available, and that the declaration of a Gas Deficit Emergency is imminent.

The first GDW to be issued by National Grid NTS, since the name came into effect in 2012⁴, occurred on 1 March 2018. This was issued in response to coincident events involving cold weather (so-called 'Beast from the East'), high gas demand and supply interruptions.

Uniform Network Code 685 (UNC685): Amendment of the UNC term 'Gas Deficit Warning' to 'Gas Balancing Notification'

In our UNC685 decision letter we agreed with the Panel⁵, and the majority of respondents, that this modification proposal would better facilitate UNC objective (a)⁶, and had a neutral impact on the other relevant objectives.

The proposal to substitute the term GDW with GBN has already been extensively debated by industry, therefore we consider it prudent to go straight to a statutory consultation. This includes discussion during the 'Review of the Gas Deficit Warning and Margins Notice Arrangements'⁷ workgroup, which led to the Modification proposal UNC685.

⁴ UNC 415: Revision of the Gas Balancing Alert Arrangements (UNC415): <https://www.ofgem.gov.uk/publications-and-updates/uniform-network-code-unc-415-revision-gas-balancing-alert-arrangements>

⁵ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

⁶ Objective (a) the efficient and economic operation of the pipe-line system to which this licence relates

⁷ UNC669R – Review of the Gas Deficit Warning (GDW) and Margins Notice (MN) Arrangements <http://gasgovernance.co.uk/0669>

The UNC Panel formally invited representations from interested parties on Modification Proposal UNC685 between 18 April 2019 and 21 May 2019. Of the 7 representations received, 2 supported implementation, 2 offered qualified support, 2 provided comments and 1 was not in support.

At the UNC Panel meeting on 20 June 2019, a majority of the UNC Panel supported and considered that Modification UNC685 would better facilitate the UNC objectives⁸ and the Panel therefore recommended its approval. Panel Members voted with 9 votes in favour (out of a possible 14), to implement Modification 0685.

Consultation

We are now inviting views on the proposed licence modifications wording to National Grid Gas Plc's Gas Transporter licence as set out in the accompanying Notice. Please provide your views, by email, to Abu.Sayeed@ofgem.gov.uk by 13 November 2019.

Any responses to the consultation will be placed on our website unless marked as confidential. You can ask for your response to be kept confidential and we will respect this subject to any obligations to disclose information, for example under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

If you would like your responses to be kept confidential, clearly mark the document to that effect and include the reasons for confidentiality.

If you have any queries regarding this letter, please contact Abu Sayeed by using the email address or phone number above.

Yours faithfully,

Chris Thackeray

Head of GB Wholesale Markets

For and on behalf of the Gas and Electricity Markets Authority

⁸ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: <https://epr.ofgem.gov.uk/Content/Documents/Standard%20Special%20Condition%20-%20PART%20A%20Consolidated%20-%20Current%20Version.pdf>