

UNC Draft Modification Report		At what stage is this document in the process?
<h1>UNC 0685:</h1> <h2>Amendment of the UNC term ‘Gas Deficit Warning’ to ‘Gas Balancing Notification’</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">01</span> Modification         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">02</span> Workgroup Report         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">03</span> Draft Modification Report         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b></p> <p>To change the name of the UNC defined term ‘Gas Deficit Warning’ to ‘Gas Balancing Notification’.</p>		
	<p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this modification.</p> <p>The close-out date for responses is <b>21 May 2019</b>, which should be sent to <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>. A response template, which you may wish to use, is at <a href="http://www.gasgovernance.co.uk/0685">www.gasgovernance.co.uk/0685</a>.</p> <p>The Panel will consider the responses and agree whether or not this modification should be made.</p>	
	<p><b>High Impact:</b></p> <p>Gas Shippers and Traders</p>	
	<p><b>Medium Impact:</b></p> <p>National Grid NTS</p>	
	<p><b>Low Impact:</b></p> <p>OCM Market Operator, Gas Consumers, and Distribution Networks</p>	

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<b>Timetable</b>		 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>
<b>The Proposer recommends the following timetable:</b>		Other: <b>Angharad Williams</b>
Proposal presented to Panel	18 April 2019	 <a href="mailto:Angharad.williams@nationalgrid.com">Angharad.williams@nationalgrid.com</a>
Draft Modification Report issued for consultation (13 Business Days)	18 April 2019	 01926 65 3149
Consultation Close-out for representations	21 May 2019	
Final Modification Report available for Panel (short notice)	24 May 2019	
Modification Panel decision	20 June 2019	

## 1 Summary

### What

National Grid NTS may issue a Gas Deficit Warning (GDW) in the event of a national gas supply / demand differential that presents a material risk to the end of day balance on the NTS. The purpose of a GDW is to signal to gas market participants that they either need to provide more gas or reduce demand.

On 01 March 2018, National Grid NTS issued the first ever GDW in response to coincident events involving cold weather, high gas demand, and multiple supply failures. Whilst the GDW had its desired effect on this day as the risk of an end-of-day system imbalance was addressed, National Grid NTS considers that the term 'Gas Deficit Warning' does not adequately reflect the purpose of the message and was, unhelpfully, taken out of context by some market observers. National Grid NTS considers that such reporting fuelled a sense of panic in the market that was unwarranted, potentially resulting in higher within-day gas prices than would otherwise have been the case. Consequently, National Grid NTS considers that the term presents a risk of uneconomic outcomes and detrimental impact on the GB gas market.

### Why

This Modification is needed to mitigate the above risk for Winter 2019/20. If this Modification is not implemented, there is a risk of unwarranted market concern, inaccurate reporting, and unnecessary public perception of crisis in the event that another GDW is triggered.

### How

It is proposed that all references to the term 'Gas Deficit Warning' in UNC are replaced with the term 'Gas Balancing Notification' and all references to 'GDW Withdrawal Notice' are replaced with 'GBN Withdrawal Notice'.

## 2 Governance

### Justification for Authority Direction

This Modification is likely to have a material effect on:

- (aa) existing or future gas consumers; and
- (dd) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies.

(aa) National Grid NTS foresees a material effect upon gas consumers; both directly, from a reduced risk of exposure to within-day gas price spikes resulting from a proportionate market response to this market message, and also indirectly, by protecting the integrity of the liberalised GB gas market from what may otherwise be alarmist commentary about the security of GB's gas supply.

(dd) This Modification will facilitate a more accurate understanding about the real-time situation of the system in the event of a material imbalance between gas supply and gas demand, thereby enabling the market to respond more efficiently. A more accurate description of this market message is expected to reduce the risk of exaggerated reporting if and when such a message issued in the future, thereby avoiding a public perception of crisis associated with the security of GB's gas supply.

## Requested Next Steps

The content of this Modification has already been discussed on several occasions with the industry as part of Modification 0669R's development 'Review of the Gas Deficit Warning and Margins Notice Arrangements'.

This Modification also featured as a 'pre-mod discussion' at the March 2019 meeting of the Transmission Workgroup. At this meeting, National Grid NTS received a clear preference for this Modification to proceed direct to consultation; the creation of a Workgroup was considered to be neither desirable nor necessary.

It is therefore recommended that this Modification should:

- be considered a material change and not subject to self-governance
- in line with the recommendation of the Transmission Workgroup, proceed direct to consultation.

## 3 Why Change?

National Grid NTS may issue a Gas Deficit Warning (GDW) in the event of a national gas supply / demand differential that presents a material risk to the end of day balance on the NTS. The purpose of a GDW is to announce to gas market participants that they either need to provide more gas or reduce demand. It is a market tool used in normal market operation as an indication to the market that National Grid NTS is not seeing a sufficiently timely balancing response to, most likely, an unforeseen event(s) and it therefore also provides National Grid NTS with the facility to access further balancing tools to resolve the mismatch.

A GDW does not necessarily mean there is insufficient gas available, nor that the declaration of a Gas Deficit Emergency is imminent. Even if this were the case, there are a number of steps to go through before domestic gas customers would be impacted.

Modification 0415 'Revision of the Gas Balancing Alert (GBA) Arrangements' (implemented on 01 December 2012) introduced the GDW term into the UNC. It did so by replacing the single GBA term with the Margins Notice and GDW terms in order to provide a more granular indication of the time criticality of the forecast supply / demand imbalance. In National Grid NTS' view, this amendment from one alert mechanism to two remains appropriate; however, in the light of operational experience as a result of triggering a GDW and observing the consequences, the GDW term would benefit from revision.

On 01 March 2018, National Grid NTS issued its first ever GDW in response to coincident events involving cold weather, high gas demand, and supply failures. Whilst the GDW had its desired effect on this day as the risk of an end-of-day system imbalance was addressed, National Grid NTS considers that the term 'Gas Deficit Warning' does not adequately reflect the purpose of the message and that, consequently, the term presents a risk of uneconomic outcomes and detrimental impact to the GB gas market.

This Modification is needed to mitigate the above risk for Winter 2019/20. If this Modification is not implemented, there is a risk of unwarranted market concern, inaccurate reporting, and unnecessary public perception of a gas security of supply crisis in the event that another GDW is triggered.

As the gas and electricity markets have become increasingly connected in recent years, disruption on the gas system may also have consequential impacts on the electricity market.

## 4 Code Specific Matters

### Reference Documents

Information about National Grid's gas notifications is contained on its website at:

<https://www.nationalgrid.com/uk/gas/balancing/margins-notices-mn-and-gas-deficit-warnings-gdw>

### Knowledge/Skills

A working knowledge of National Grid NTS' procedures and tools to provide notice to GB gas market participants of a possible imbalance between gas demand and supply, together with knowledge of the events of 1<sup>st</sup> March 2018 and immediate reporting thereof would be helpful in assessing this Modification.

<https://www.nationalgridgas.com/sites/gas/files/documents/Gas%20Ops%20Forum%20full%20pack%20-%20April%202018.pdf>

## 5 Solution

Replace the UNC defined term 'Gas Deficit Warning' with the term 'Gas Balancing Notification'.

Replace the UNC defined term 'GDW Withdrawal Notice' with the term 'GBN Withdrawal Notice'.

Correct a typographical error in the section of UNC TPD section V5.9.7(c) (i) to replace the word 'and' with 'an'.

## 6 Impacts & Other Considerations

### Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

None.

### Consumer Impacts

National Grid NTS expects that end consumers will benefit from this Modification if a message that is currently described as a GDW is issued again. This benefit is likely to accrue both directly, from a reduced risk of exposure to within-day gas price spikes resulting from a proportionate market response to this market message, and also indirectly, by protecting the integrity of the liberalised GB gas market from what may otherwise be alarmist commentary about the security of GB's gas supply.

### Cross Code Impacts

This Modification is consistent with Modification GC0093 to the Grid Code, 'Assessment of System Warnings', which amended the term 'Notification of Inadequate System Margin' to 'Electricity Margin Notice' in September 2016. A link is provided here: <https://www.nationalgrideso.com/codes/grid-code/modifications/gc0093-assessment-system-warnings>.

### EU Code Impacts

None.

### Central Systems Impacts

None.

## National Grid Gas Transporter Licence

The term ‘Gas Deficit Warning’ also appears in the National Grid Gas Transporter Licence, under Special Licence Condition 8I: ‘Development and Implementation of a Demand Side Response methodology for use after a Gas Deficit Warning’. Therefore, in the event that this Modification is implemented, a consequential Licence change would be required at the appropriate time.

## Gas Demand Side Response Methodology

The term ‘Gas Deficit Warning’ also appears in National Grid NTS’ Gas Demand Side Response Methodology statement. Special Condition 8I of the National Grid Gas Transporter Licence requires that this methodology statement is subject to an annual review, therefore National Grid NTS proposes that these amendments should be made when this methodology is reviewed in 2019/20.

## 7 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	Positive
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

National Grid NTS considers that this Modification would better facilitate the following relevant objectives:

- a) Efficient and economic operation of the pipe-line system.

This Modification will facilitate a more accurate description of this particular market message and thereby provide greater clarity to GB market participants about the real-time situation of the system in

the event of a material imbalance between gas supply and gas demand. A better understanding of what message National Grid NTS is communicating should enable the market to respond more efficiently, limiting the need for National Grid NTS to intervene in the market as residual balancer and thereby enabling the system to be operated more efficiently.

- d) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards...are satisfied as respects the availability of gas to their domestic customers.

More accurate terminology for this market message will better facilitate price discovery that reflects market fundamentals, thereby helping to appropriately incentivise relevant suppliers to make adequate provision in their gas supply arrangements for peak demand days.

## 8 Implementation

No material implementation costs are expected. Shippers and suppliers would need to change the term accordingly wherever it appears in their contracts.

No specific implementation date is proposed, however, implementation by 1<sup>st</sup> October 2019 would be desirable to realise the benefits of this Modification for winter 2019/20.

## 9 Legal Text

### Text Commentary

Amend all references in UNC to 'Gas Deficit Warning' to 'Gas Balancing Notification'.

Amend all references to 'GDW Withdrawal Notice' to 'GBN Withdrawal Notice'.

Amend a typographical error in UNC TPD section V5.9.7(c) (i), to replace the word 'and' with 'an'.

### Text

#### Transportation Principal Document, Section D: Operational Balancing and Trading arrangements

Amend paragraph 3.1.2 as follows:

"Subject to paragraph 4.1.1, National Grid NTS may only enter into Non-Trading System Transactions only in relation to a Gas Flow Day in respect of which a ~~Gas Deficit Warning~~ Gas Balancing Notification is in place."

Amend paragraph 4.1.1 as follows:

"Where a User makes a Market Offer or a Non-Trading System Offer to National Grid NTS in relation to a Gas Flow Day in respect of which a ~~Gas Deficit Warning~~ Gas Balancing Notification is in place and up to six (6) subsequent consecutive Gas Flow Days, and it is a condition of accepting such Market Offer or Non-Trading System Offer that National Grid NTS and the User makes (or, in the case of a Market Offer, the Trading System Operator makes on their behalf) the appropriate Trade Nominations for each such Gas Flow Day, National Grid NTS shall be entitled to accept such a Market Offer or Non-Trading System Offer and accordingly enter into a Market Transaction or Non-Trading System Transaction (any such Market Transactions or Non-Trading System Transactions shall be known as "**Multi-Day Balancing Transactions**")."

Amend paragraph 5.1.1(d) as follows:

““**Voluntary DSR Period**” is the period between a ~~Gas Deficit Warning~~ **Gas Balancing Notification** being issued by National Grid NTS in accordance with Section V5.9.5 and the earlier to occur of:

- (i) the issue by National Grid NTS of a ~~GDW~~ **GBN** Withdrawal Notice in accordance with Section V5.9.6; and
- (ii) the declaration by the NEC of Stage 2 of a Gas Deficit Emergency”

Amend paragraph 5.1.2(d) as follows:

“National Grid NTS and Trading Participants shall not have visibility of such DSR Market Offers until a ~~Gas Deficit Warning~~ **Gas Balancing Notification** is issued in accordance with Section V5.9.5;”

### **Transportation Principal Document, Section V: General**

Amend paragraph 5.9.4 as follows:

“Where a Margins Notice is issued, it shall remain in force until the end of the Gas Flow Day to which it is applicable, unless superseded by a ~~Gas Deficit Warning~~ **Gas Balancing Notification**.”

Amend paragraph 5.9.5 as follows:

“National Grid NTS may issue (by means of publication on its website) a ~~warning~~ **notification** (“~~Gas Deficit Warning~~” (“**Gas Balancing Notification**”)) where during or before a Gas Flow Day, an event affecting either supply or demand, for the Gas Flow Day in question is notified to National Grid NTS, or National Grid NTS otherwise becomes aware of circumstances, that may (in the reasonable opinion of National Grid NTS) result in the quantities of gas on the Total System being insufficient for the purpose of meeting the Forecast Total System Demand. The issue of a ~~Gas Deficit Warning~~ **Gas Balancing Notification** by National Grid NTS shall indicate the start of a Voluntary DSR Period for the purposes of Section D5.”

Amend paragraph 5.9.6 as follows:

“Where a ~~Gas Deficit Warning~~ **Gas Balancing Notification** is issued, it shall remain in force until National Grid NTS issues a ~~GDW Withdrawal Notice~~ **GBN Withdrawal Notice**.”

Amend paragraph 5.9.7(c) as follows:

“(c) “~~GDW Withdrawal Notice~~ **GBN Withdrawal Notice**” means a notice from National Grid NTS issued where National Grid NTS determines (in its reasonable opinion) that:...”

Amend paragraph 5.9.7 (c) (i) as follows:

“(i) there is no longer ~~and~~ an actual or imminent risk to system safety; or”

## 10 Recommendations

### Panel’s Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this modification.