

National Gas Transmission's Consultation on System Management Principles Statement

Dear Colleague

This annual consultation is being carried out in accordance with Special Condition 9.19 "System Management Services" of National Gas Transmission's (NGT) Gas Transporter (GT) Licence. The consultation period will be for 28 days.

This letter contains the timescales for the consultation and the background to the consultation.

Following this consultation, NGT will produce a report and submit it to the Authority in accordance with its GT Licence Special Condition.

Consultation timescales

NGT issues consultation: 01 February 2024
Closing date for responses: 29 February 2024
NGT submits report to the Authority 07 March 2024

Background

National Gas Transmission prepares a System Management Principles Statement (SMPS) in accordance with Special Condition 9.19 "System Management Services" of its GT Licence. The original version (1.0) of the SMP Statement was approved by the Authority and became effective on 2nd October 2002. The current version 11.0 is available at:

<https://www.nationalgas.com/about-us/how-were-regulated/gas-industry-compliance>

Detailed Changes to the SMPS

We propose to make one material change to the current version of the SMPS. This is the addition of a new section (Part D, Section 6) to provide a similarly proportionate level of detail regarding Demand Side Response (DSR) relative to other System Management tools. This has resulted in 'Multi-Day Offers' becoming Part D, Section 7. Additional information regarding DSR is added throughout in the relevant sections, e.g., 'Margins Notices and Gas Balancing Notification'.

National Gas Transmission have continually engaged with stakeholders to receive feedback on DSR development; subsequent UNC Modifications in response to this feedback has resulted in amendments to the DSR Methodology to increase eligibility and incentivise and broaden participation.

The Russian invasion of Ukraine reduced gas supplies to the EU, impacting global gas markets. The EU and the UK are connected via both physical assets and market arrangements and as

such the invasion created a material risk to energy security. This driver incentivised the development of the DSR tool to mitigate such risks. Additionally, increased DSR participation and increasing the available DSR reduction volumes has potential to improve our energy security and therefore help to mitigate against the unlikely event of an E1 Network Gas Supply Emergency being declared in future.

The 'Uniform Network Code (UNC) Modification History' section of the SMPS has been updated to reflect implementation of UNC Modifications 0822, 0833, 0844 and 0845 which pertain to amendments to the DSR pre-emergency tool.

We propose to make the following non-material changes to the current version of the SMPS:

| Change Type | Description | Location |
|---|---|--|
| References to National Gas Transmission | Amended references to 'National Grid' and 'National Grid Gas plc' to National Gas Transmission (NGT). With the separation from National Grid, references have been updated to reflect the new company name. | Throughout |
| Housekeeping | Changes to National Gas Transmission branding and website links. | Throughout |
| Housekeeping | General changes to improve readability of document. | Throughout |
| Clarification | Clarification on System Management Services Adjustment Data Methodology use | Part A, Section 2, Page 10 |
| Updates to reflect implementation of relevant UNC Modifications | Addition of UNC 0822, 0833, 0844 and 0845 in relation to DSR and UNC 0848S in relation to Exit/Entry Constraint Management. | 1. Uniform Network Code (UNC) Modification History, Page 5 |
| Definition | Update to align with new terminology ('E1 Network Gas Supply Emergency') | Throughout |
| Deletion | System Management Measures updated and reordered, including the deletion of temporary 2022 arrangements introduced at Milford Haven | Part C, Section 1, Page 14; Section 3, Page 17 |
| Clarification | Additional detail added on the use of Operating Margins, repeated information deleted | Part D, Section 3, Page 19 |
| Clarification | DSR trigger conditions added | Part D, Section 5, Page 21 |
| Licence/UNC terms | Ensured capitalisation of Licence and UNC terms is consistent ('Gas Day') | Throughout |

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| Link | Provided direct link to E1 – Network Gas Supply Emergency Procedure (October 2023) PDF | Part B, Section 6, Page 13 |
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A change marked draft version of the SMPS (version 11.1), which includes the proposed amendments for 01 April 2024, can also be found via the link above for review.

Views Sought

NGT would welcome the comments of all interested parties on the proposed changes to the SMPS. Responses should arrive at National Gas Transmission by 17:00 on Thursday 29 February and be sent by email to: box.gsoconsultations@nationalgrid.com.

Yours sincerely

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Code Change Lead