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Dear Colleague,

RE: INVITATION TO OFFER LETTER: GAS DEMAND SIDE RESPONSE (DSR) OPTIONS

National Gas Transmission (NGT) acting in its role as the Transmission System Operator of the National Transmission System (NTS) is today launching an invitation to offer event for DSR options in accordance with its obligations under the Uniform Network Code (UNC).

This DSR Invitation to Offer is structured to reflect amendments to the gas DSR regime, as defined in the UNC, following Ofgem's approval of UNC Modification Proposals 0844 and 0845. UNC Modification Proposal 0844 "Enabling Direct Contractual Arrangements with Consumers for Demand Side Response"¹ permits NGT to enter into contracts with eligible Consumers to reduce their consumption in the event of the DSR Market triggers being met and UNC Modification Proposal 0845 "Enhancements to Demand Side Response (DSR) Arrangements including a D-5 Product"² introduces a five day ahead product into the suite of Demand Side Response products.

NGT is now seeking to enter agreements, in advance, with Shippers and eligible Consumers who place DSR offers which may be exercised, within-day, and/or at D-1 (day ahead of delivery) and/or at D-5 (5 days ahead of delivery) (DSR Option Offers) for the forthcoming Winter Period (1st November 2023 to 30th April 2024) and the next two Winter Periods, thereafter. Such agreements will be in accordance with the rules set out in the Uniform Network Code, Transportation Principal Document section D7³. This section of the UNC also contains the terms and conditions that shall apply to any DSR Option Offer submitted by a Shipper in response to this Invitation to Offer that is accepted by NGT. The terms and conditions that apply to any DSR Option Offer submitted by a Consumer that is accepted by NGT are published on our website⁴ in the form of a template contract that NGT and the Consumer would sign following NGT acceptance of such offer.

Gas DSR Service Requirement

Gas DSR is an energy balancing tool for NGT which would be utilised to mitigate the potential of entering a Gas Deficit Emergency under certain pre-defined triggers. When exercised it results in consumers voluntarily reducing demand which depending with whom the agreement is struck may be enacted either

¹ [0844 - Enabling Direct Contractual Arrangements with Consumers for Demand Side Response | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)

² [0845 - Enhancements to Demand Side Response \(DSR\) Arrangements including a D-5 Product | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)

³ [UNC TPD Section D](#)

⁴ [DSR Consumer Contract - Post Consultation Clean Version](#)

via the Locational Market within the On the day Commodity Market (OCM), 'over the counter' (OTC) trades or via direct contract and demand reduction instruction with consumers.

There are three triggers which enable NGT to open the DSR Market and exercise the options, these are:

1. Issuing of a Margins Notice (MN) at D-1 or
2. Issuing of a Gas Balancing Notification (GBN) within day or at D-1 or
3. Forecast a supply deficit at 5 days ahead of the gas day (D-5) in excess of 14mcm.

Eligibility

Responses to this DSR Invitation to Offer may be submitted either by a Shipper that is the Registered User at an eligible supply point or by the Consumer at the supply point.

An eligible supply point is:

- Where DSR is offered by a Shipper, a Class 1 (DMC) or Class 2 (DMA) daily metered Supply Point (as defined in the UNC TPD Section A4.3⁵).
- Where DSR is provided directly by a Consumer, a Class 1 (DMC) Supply Point.
- One where the Winter Average Demand minus the DSR Reduced Quantity is equal to at least 100,000 kWh

Invitation to Offer Process

Users that wish to participate in this invitation to offer event must submit their DSR Offer pack(s) via email to Brendan.Mullan@nationalgas.com and cc Andrea.Godden@nationalgas.com no later than **17:00 BST on 15th September 2023**.

If a User wishes to submit any additional information in relation to its offer, a cover letter can be attached to the DSR offer pack.

NGT shall carry out an offer assessment of all offers received and may accept compliant DSR Option offers in accordance with UNC TPD section D7.6 and its DSR Methodology⁶:

Invitation to Offer Documentation

The Documentation relating to this Invitation to offer are listed below:

- This Invitation to Offer Letter
- Invitation to Offer guidance document
- Shippers Offer Pack 1 – Within Day Option Offers 2023/24, 2024/25, 2025/26
- Shippers Offer Pack 2 – Day Ahead Option Offers 2023/24, 2024/25, 2025/26
- Shippers Offer Pack 3 – D-5 Option Offers 2023/24, 2024/25, 2025/26
- Consumers Offer Pack 1 – Within Day Option Offers 2023/24, 2024/25, 2025/26
- Consumers Offer Pack 2 – Day Ahead Option Offers 2023/24, 2024/25, 2025/26
- Consumers Offer Pack 3 – D-5 Option Offers 2023/24, 2024/25, 2025/26

⁵ [UNC TPD Section A \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk)

⁶ <https://www.nationalgas.com/documents/144051-gas-dsr-methodology-v70>

Direct Contracting Consumers only:

- NGT-Consumer DSR Contract (template)
- Parent Company Guarantee (template)
- Letter of Credit (template)
- Deposit Deed (template)

These documents are all available now for download using the link below which can be found on the National Gas DSR homepage

[Demand Side Response \(DSR\) | National Gas](#)

Invitation to Offer Timetable

The key dates for the Invitation to offer are as follows:

Activity	Date
Pre-tender Market Notification	Tuesday 15 th August 2023
Tender launched, Invitation to Offer period commences	Thursday 24 th August 2023
Offers Submission Deadline	17:00 (BST) Friday 15 th September 2023
Offer evaluation period	Monday 18 th September to Friday 29 th September 2023
Acceptance letters sent*	Friday 29 th September 2023
Rejection letters sent*	Friday 29 th September 2023
Publication of results in aggregated / anonymised form*	Friday 6 th October 2023

* If the aggregate amount of option payments that NGT wishes to accept from this Invitation to Offer exceeds £36m, NGT is required to refer the process to Ofgem, which may delay the issue of acceptance / rejection letters and publication of tender results by up to 10 business days.

CREDIT SECURITY (For Direct Consumers Only)

During the tender evaluation period, NGT will procure a credit assessment via Creditsafe on each Consumer that has submitted a DSR Option Offer directly to NGT. This assessment will return a recommended annual contract limit based upon the credit agency's guidance.

If NGT accepts the offer, NGT will require the Consumer to put security in place for any shortfall between the annual contract limit returned by the credit assessment and 110% of the total winter option payment that would be due to the Consumer. Should such security be required, NGT will communicate this to the

Consumer within the acceptance letter, which in accordance with Clause 8 of the NGT-Consumer DSR contract would need to be provided by the Consumer to NGT not later than 30 November 2023.

Security may be provided in the form of a Parent Company Guarantee, Deposit Deed or Letter of Credit, the forms of which are published on its DSR webpage in the Offer documentation section and subject, at all times, to such security being provided by a financial institution or security provider (as the case may be) acceptable to NGT (acting reasonably).

Should a Consumer wish to know its current annual contract limit before submission of its offer, again, please email Brendan.Mullan@nationalgas.com and we will endeavour to provide it.

Quantity offered

In last year's process, DSR Option Offers were invited based on the quantity of demand reduction that would be delivered if DSR were to be called by NGT. In this year's process, tenderers are invited to offer a quantity of daily demand that would not be exceeded if DSR were called ('DSR Reduced Quantity'). The quantity to calculate payment will then be based on the difference between the average daily winter demand ('Winter Average Demand') for that site and the tendered DSR Reduced Quantity. The difference between these two values is termed the 'Option Quantity' and must be a minimum of 100,000 kWh.

If any Shipper or Consumer is interested in participating in this DSR Invitation to Offer and wishes to know the Winter Average Demand of a site in respect of which of which they are the Registered User or Consumer before submission of an offer, please e-mail Brendan.Mullan@nationalgas.com and we will endeavour to provide it.

DSR CONTRACTUAL RELATIONSHIP

Where a Shipper wishes to participate in a DSR Option Invitation and / or post a DSR Market Offer the Shipper must seek agreement via the Supplier with the relevant Consumer.

Where a DSR Market Offer is accepted by National Gas Transmission:

The DSR Market Offer acceptance will be a contractual arrangement between the Shipper and National Gas Transmission through the existing OCM Market Rules and UNC contractual arrangements.

Where a Consumer wishes to directly participate in a DSR Option Invitation and has a DSR Option Offer accepted by NGT, the terms of the DSR Contract published by National Gas Transmission shall apply to that DSR Option.

NGT will produce and publish an offer outcome report which will be shared with Ofgem and the industry on an anonymous basis within 5 working days from notification of accepted / rejected option offers to participating Users.

If you would like to discuss the Invitation to Offer event further or have any questions, please contact Brendan.Mullan@nationalgas.com Andrea.Godden@nationalgas.com or Philip.hobbins@nationalgas.com

Yours sincerely,

Brendan Mullan

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