

# Gas Demand Side Response (DSR)

**OUTCOME REPORT**

**Issued: 4<sup>th</sup> October 2024**

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## 1.0 Executive Summary

UNC TPD section D7.6.7 requires NGT to publish aggregated information relating to a DSR tender within 5 business days from the date on which notifications were given to tenderers about whether NGT had accepted their DSR Option Offer. The purpose of this document is to provide a summary of the outcome of the recent Demand Side Response (DSR) Invitation to Offer event that was launched on the 31st July 2024.

This report includes additional information following the implementation of UNC Modification Proposal 0866. This Modification identified a number of areas in the DSR regime that, if reformed, could result in more participation from consumers in DSR arrangements and the deployment of DSR at times of national gas supply shortage being more effective. Modification 0866 also gave NGT the flexibility to consider a wider range of parameters in its assessment process. In recognition of this, customers and stakeholders requested that NGT include more explanation in this report to explain its decisions about which offers it accepts and which it rejects. We have therefore included this to be as transparent as possible.

Through the Invitation to Offer event NGT were seeking to enter into agreements in advance, with Shippers and eligible Consumers who placed DSR offers which may then be exercised, within-day, and/or at D-1 (day ahead of delivery) and/or at D-5 (5 days ahead of delivery) for the forthcoming Winter Period (1 November 2024 to 30 April 2025) and the following next two Winter Periods (1 November 2025 to 30 April 2026 and 1 November 2026 to 30 April 2027).

## 2.0 DSR Invitation to offer event.

The launch of the DSR Invitation to Offer Event (for winters 24/25, 25/26 and 26/27) was communicated to the market via the Joint Office on the 31 July 2024 and the tender closed on the 30th August 2024.

Responses were to be submitted either by a Shipper that is the Registered User at an eligible supply point or by an eligible Consumer at a supply point.

Tenderers were invited to offer a quantity of daily demand that would not be exceeded if DSR was called upon ('DSR Reduced Quantity'). The quantity to calculate payment would 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.

## 3.0 DSR Offers received

Below is a summary of the offers received compared to last year

Year	Number of offers received	Aggregate Quantity(kWh)	Weighted Average Price of offers received(p/kWh)
2023-24	16	12,752,026	0.60p
2024-25,2025-26,2026-27	25	19,871,489	0.88p

Below is a summary of the offers accepted compared to last year

Year	Number of Offers accepted	Volumes Accepted (kWh)	Accepted Offers Total (£)
2023-24	6	6,396,722	£6,638,417.38
2024-25	6	4,290,638	£3,666,242.50

#### 4.0 Explanation for our decisions

Whilst the numbers of offers and aggregate volume increased from last year, aggregate volumes fell short of what in our view would be required to make a material contribution to preventing a national gas supply shortage from escalating to a Stage 2 emergency. This is the central purpose of voluntary DSR from our perspective. That said, any demand reduction in a gas supply shortage will be of some benefit and exercise of even a modest quantity could be helpful in stimulating a wider market response.

The factors we may consider and our means of assessment of DSR Option Offers are set out in UNC TPD D7.6. Following the implementation of Modification 0866, we are now able to assess the relative merits of offers based on a broader range of factors. In particular, we considered this year's offers both in combined price order (option and exercise) and also with a particular focus on the lowest option prices. Gas security events have historically been rare so we applied a greater focus this year on the option prices of offers received, given that this will drive the cost of DSR irrespective of use.

When assessing the offers, we observed a number of step changes in option prices which allowed us to group offers into tranches. We did not believe it would be economic or efficient to accept all offers just to maximise the volume because doing so would not result in a total volume that would constitute a meaningful percentage of the likely forecast error on a day of supply shortage and in our view would set a poor precedent for future tenders.

There were some D-5 offers with competitive option prices, however, these came with restrictions on exercise which were more stringent than similarly priced Within-Day and D-1 offers. Combined with the lower likelihood of exercise of D-5 offers vis-a-vis Within Day and D-1 offers, on this occasion we decided not to accept them.

This tender and the previous two have demonstrated that the market price for industrial voluntary DSR is relatively expensive compared to other balancing tools. Whilst this may be justifiable by virtue of linkage to the opportunity cost of lost production, fuel switching and other consequential costs for industrial consumers if DSR were to be called, this acted as another factor in our thinking to accept a more limited volume this year.

We received some offers for future years (winters 2025/26 and 2026/27). We decided not to accept these offers due to the associated relatively high option prices, the limited number of offers received for those years, potential future modifications to the UNC to further stimulate the market and the current uncertainty about the longer term viability of voluntary DSR.

A number of parties provided feedback about the DSR regime which we will give consideration to and engage on with industry and consumers in the coming months.

In accordance with UNC TPD section D7.6.6, offers received are summarised below;

**Winter 2024/2025 , 2025/2026 ,2026/2027**

(a)	Total Option quantities offered under all DSR Option offers	19,871,489 kWh*
(b)	Total Option quantities for which offers were accepted	4,290,638 kWh
(c)	The number of DSR Participants submitting DSR Option offers	15
(d)	The number of supply points in respect of which DSR option were submitted	18
(e)	The weighted average option price under all accepted DSR option offers	0.47p/kWh/day
(f)	The Lowest and the Highest option prices for which DSR Option offers were accepted	
	Lowest	0.406p/kWh/day
	Highest	0.66p/kWh/day
(g)	The Lowest and the Highest Exercise prices for which DSR Option offers were accepted separately for Exercise Prices	
	Lowest	7.5p/kWh
	Highest	10.73p/kWh
	Lowest	3.982p/kWh** or SAP x 1.1
	Highest	4.34p/kWh** or SAP x 1.2
(h)	the total amount in respect of Daily Option Fees payable in respect of all accepted option offers	£3,666,242.50
(i)	the number of Consumers participating that submitted DSR Option Offers,	14
(j)	The number of Consumers that have had DSR Option Offers accepted	6
(k)	the number of Users that submitted DSR Option Offers	1
(l)	the number of Users that have had DSR Option Offers accepted	0
(m)	Subject to the number of accepted DSR Option Offers for each of the Within Day option, Day - Ahead option and 5 day Ahead Option being greater than or equal to 3 , the weighted average option and exercise prices accepted per DSR product (within-day, D-1,D-5)	
		<b>Option</b>
	Within Day	Less than 3 Offers Accepted
	D-1	0.47p/kWh
	D-5	n/a
		<b>Exercise</b>
	Within Day	Less than 3 Offers Accepted
	D-1	8.55p/kWh
	D-5	n/a
(n)	Subject to the number of accepted DSR Option Offers for each of the following sectors (being categorised as chemicals, food and drink, Steel and Glass (Heavy Industry) other manufacturing, public services and other) being greater than or equal to 3 , the number of accepted DSR Option Offers for each such sector	
	Within Day	Less than 3 Offers Accepted
	D-1	Less than 3 Offers Accepted
	D-5	n/a
	<b>* This is total quantity of offers and not what NGT could accept as there were offers for more than one product - In accordance with the DSR methodology NGT are unable to take those further as the methodology/rules state that only one such offer can be accepted.</b>	
	<b>** Indicative price only based on Argus Forward Price for Winter 2024 for assessment purposes</b>	