

ENA Notification

Brendan Mullan
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www.nationalgrid.com

18th November 2022

Dear Industry Colleague,

RE: GAS DEMAND SIDE RESPONSE (DSR) INVITATION TO OFFER NOW OPEN

Following the approval of Modification 0822 to the Uniform Network Code (UNC) by National Grid Gas plc (National Grid NTS) as the Gas Transmission System Operator of the National Transmission System (NTS) is now seeking commitment from users in advance, to offer DSR volumes on behalf of consumers whose Annual Quantity is greater than 2 million therms (58.6 GWh).

Users are invited to submit offers for Within Day and Day Ahead DSR options for the current winter 2022/23 and the forthcoming Winter Periods (01 November to 30 April) 2023/24 and 2024/2025. DSR payments would then be passed by the User via the supplier to the consumer providing the physical flow curtailment, subject to the contractual terms negotiated between these parties.

In addition to seeking offers for within day and D-1 DSR options, that if accepted would become binding on the relevant Users, we also wish to use this process to seek non-binding option offers for a DSR product that would be exercised 5 days ahead of time (a 'D-5 product'). Acceptance of D-5 offers would be subject to approval of a subsequent UNC Modification and associated change to our DSR Methodology and then subsequent agreement from the User concerned.

We plan to engage with industry on this in the coming weeks and currently envisage that the rules for a D-5 DSR scheme would, as far as possible, be consistent with the rules already in place for within-day and D-1 DSR options.

The Invitation to Offer Process

The Invitation to Offer event documentation has been published on the National Grid website, where additional DSR service information can be found which, you may find helpful in aiding your understanding of the service requirements.

The specific documentation can be found under the "Offer Documentation" option using the following link. <https://www.nationalgrid.com/gas-transmission/balancing/demand-side-response-dsr>

The Invitation to Offer event launched today contains the following documentation:

- Invitation to Offer Letter
- Invitation to Offer Guidance Document
- Offer Pack 1 – Within Day Option Offers 2022/23, 23/24, 24/25
- Offer Pack 2 – Day Ahead Option Offers 2022/23, 23/24, 24/25
- Offer Pack 3 – D-5 Option Offers 2022/23, 23/24, 24/25

Users that wish to participate in this invitation to offer event must submit their DSR Offer pack(s) via email to Brendan.Mullan@nationalgrid.com and cc Andrea.Godden@nationalgrid.com no later than **12:00 GMT on 9th December 2022.**

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

Yours Sincerely,

Brendan Mullan

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Senior Contracts Officer

Gas Commercial and Incentives

Gas Demand Side Response (DSR) 0822 Reforms FAQs

This document contains a summary of the DSR arrangements, as reformed by UNC Modification 0822. For further detail, please refer to the Modification and legal text which are published at <https://www.gasgovernance.co.uk/0822>. If you have a query which neither this document nor the Modification answers, please contact philip.hobbins@nationalgrid.com.

1. What is DSR and what has changed?

DSR is a scheme which allows consumers to voluntarily curtail their gas consumption in the event of a projected national gas supply shortage and following the opening of the DSR market on the OCM with the aim of reducing the likelihood of entering a Stage 2 Gas Deficit Emergency (GDE). DSR provides the opportunity for large gas consumers to achieve more favourable compensation than if they were directed to cease taking gas by the Network Emergency Coordinator (NEC).

Shippers will be invited via an Invitation to Offer run by National Grid Gas (NGG) to offer quantities of DSR that they will be able to reduce their flow by in the event of the DSR market opening at option and exercise prices that they choose.

2. Am I obligated to participate?

No, participation in the DSR scheme is voluntary.

3. Who can participate?

Any UNC shipper, however, to be eligible for DSR, the gas consumer that a shipper makes an offer in respect of has to be daily metered and have an annual quantity greater than 2 million therms (~58.6 GWh).

4. When does the OCM DSR Market open and close?

The DSR market is opened at Day Ahead stage (D-1) or within day (D) following the issue of a Margins Notice or Gas Balancing Notification by NGG.

The DSR market closes if the NEC declares a Stage 2 Gas Deficit Emergency or if the Gas Balancing Notification is withdrawn. If the DSR market was opened via a Margins Notice and has not been superseded by a Gas Balancing Notification, the DSR market will close at the end of the gas day it has been issued for.

5. What can I offer?

The minimum DSR offer quantity that may be submitted in response to the Invitation to Offer is 100,000 kWh/d.

Offers can be made for the forthcoming Winter Period (November – April) or as part of a multi-year offer for the following two Winters as well (three Winters in total). The first DSR Invitation to Offer process is being run during Winter 2022/23, and therefore any accepted offers for this period will apply from the date on which notification is provided until 30 April 2023.

If the DSR market is opened, within-day offers which are posted may reduce over the course of the gas day on a 1/24th basis.

Day Ahead offers which are posted will be for the following gas day and will be effective for the whole gas day which runs from 05:00 – 05:00. If NGG wishes to accept any Day Ahead offers, it must do so by 17:00 on D-1.

6. Is there a restriction on the number of DSR offers?

A shipper may submit up to 10 tranches of DSR in respect of each eligible daily metered gas consumer.

Shippers may not submit a day ahead offer and a within day offer for the same tranche of load reduction.

Shippers may not submit more than one offer per tranche e.g. day ahead option with an option price of 0 p/kWh/day, exercise of 10 p/kWh and option of 5 p/kWh/day, exercise of 5 p/kWh, for NGG to accept one of them.

7. What obligations are placed on the Shipper and Consumer if the Shipper has an option offer accepted?

The key obligations are:

Shipper:

- Must post an offer to the DSR Market on the OCM within 1 hour of the market opening
- Must post a compliant offer on the OCM in line with the offer which was accepted during the invitation to offer process that is at least equal to the lesser of:
 - i. The accepted option quantity; and
 - ii. The prevailing output nomination for the relevant Supply Point

Consumer:

- Must curtail flow by the offered amount to achieve the required end of day quantity
- Must not increase flow for the duration of the offer

8. When will the Invitation to Offer run?

The first Invitation to Offer is issued on 18 November 2022 and will be open for 15 business days. The invitation process in subsequent years will be launched no later than the 31st August.

9. What happens if a shipper places a non-compliant offer?

If a shipper places a DSR offer on the OCM which is non-compliant or not consistent with the offer that was submitted during the Offer process, it becomes liable for a charge of 110% of the option payment for that winter period. However, this liability would be scaled based on the number of compliant offers submitted, e.g. if the DSR market was open on 4 days over the winter period and the shipper placed compliant offers on 3 of those days then the charge would be scaled down to 25% of that value.

10. Are there any limits on the option and/or exercise price?

There is no reserve price or cap on these prices that may be offered. The option price should be offered as a p/kWh/day price; hence the total option cost will be equal to the accepted quantity multiplied by the option price multiplied by the number of days in the period for which it is applicable. NGG will assess each of the offers received in accordance with the rules established by UNC0822.

If NGG wishes to accept any DSR option offers that in aggregate exceed £5m for any winter period, it will submit a proposal to Ofgem which Ofgem may veto prior to notifying participants of accepted or reject DSR options.

11. How will Option Payments be made?

Option payments will be made to shippers in respect of the winter months for which they are applicable. Invoices will be issued in line with the scheduled Energy Balancing Invoice which is issued on the 23rd business day after the end of a month and the payment due date is 12 days after that. NGG assumes there will be 'back-to-back' contracts between the shipper and consumer to outline the how the consumer will be recompensed.

12. How will National Grid assess the bids?

NGG will select compliant DSR option offers in price order (from lowest to highest determined as an aggregate of the option price and exercise price) and may also prioritise within-day offers over day-ahead offers.

13. Do I need an accepted offer from the Invitation to Offer to participate in DSR?

No, in the event of the DSR market opening, shippers can place DSR offers onto the OCM that are not linked to a DSR option. Such offers will not attract option payments but will receive the exercise price if that offer is accepted by NGG.

14. Why is National Grid seeking non-binding option offers for a D-5 scheme?

In its decision letter for Modification 0822, Ofgem encouraged National Grid NTS to consider how consumers' access to DSR may be broadened to further contribute towards the effectiveness of the DSR tool for this winter and beyond. Ofgem further considered that in order to develop options at pace, it may be appropriate for National Grid NTS to trial options alongside its launch of the enhanced DSR tool described within UNC0822.

A key theme in consumer feedback during the engagement processes supporting UNC0822 was that the longer the notice period that could be offered for gas DSR, the greater the level of participation that could be expected. Therefore, in addition to seeking offers for within day and D-1 DSR options, that if accepted would become binding on the relevant Users, we also wish to use this process to seek non-binding option offers for a DSR product that would be exercised 5 days ahead of time (a 'D-5 product'). Acceptance of D-5 offers would be subject to approval of a subsequent UNC Modification and associated change to our DSR Methodology and then subsequent agreement from the User concerned. We plan to engage with industry on this in the coming weeks and currently envisage that the rules for a D-5 DSR scheme would, as far as possible, be consistent with the rules already in place for within-day and D-1 DSR options.