

DSR Framework and Methodology Document

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Version control

Version/revision number	Date of issue	Notes
V1.0	3 rd September 2015	First version
V2.0	8 th July 2016	<p>Changes to Section 3. The OCM Locational Market – removal of the reference to the DSR flag</p> <p>Changes to Section 4. The DSR Product – removal of the 7-day profile of daily offers</p> <p>Housekeeping amendments – removal of references to gas DSR framework, revisions to footnotes.</p>
V3.0	February 2020	References to a Gas Deficit Warning (GDW) replaced with Gas Balancing Notification (GBN) to align with UNC Modification 0658, effective from 1 st October 2019, and the National Grid Licence change, effective from 1 st April 2020.
V3.1	February 2021	Issued for industry Consultation. No changes proposed.
V4.0	16 th April 2021	Approved by Ofgem.
V5.0	September 2022	Amendments to align with UNC Modification 0822 ‘Reform of Gas Demand Side Response Arrangements’ plus housekeeping changes
V6.0	December 2022	<p>Amendments to:</p> <ul style="list-style-type: none"> • Enable DSR Market Offers to be made and accepted without using the OCM where a Shipper has had a DSR Option accepted and does not have OCM access, to align with UNC Modification 0833 ‘Enabling Demand Side Response (DSR) Market Offers to be made by Non-Trading System Transactions’; and • Include a provision for National Grid NTS National Gas Transmission to notify the relevant Gas Distribution Network operator where a DSR Market Offer is accepted in respect of a consumer connected to its network.
V7.0	July 2023	Amendments to reflect change of company name, UNC Modifications 0844 and 0845, option assessment criteria and threshold for Ofgem referral

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Introduction

This document sets out the Gas Demand Side Response (DSR) Methodology which is required to be established in accordance with ~~National Grid's NTS~~[National Gas Transmission's](#) Transporters Licence Special Condition 9.22 (SC9.22).

The gas DSR Methodology arrangements described within this document seek to ensure that all relevant SC9.22 Licence condition principles are met.

The DSR Methodology

The gas DSR Methodology seeks to provide an additional 'route to market' through which Consumers (~~either~~ [via their Shipper/Supplier or directly with National Gas Transmission](#)) can signal their willingness to make available DSR energy quantities which would be unlikely to be offered through other market mechanisms. Encouraging DSR energy quantities to be available, ~~5 days~~ [ahead or](#) post issue of a Margins Notice or Gas Balancing Notification (GBN), but prior to the end of Gas Deficit Emergency (GDE) Stage 1 may provide sufficient additional system balancing volumes to avoid the system entering a GDE Stage 2. This may enhance the security of supply to more critical load and help all affected parties avoid the high costs and risks associated with an escalation into the later stages of a GDE.

1. Definitions

- a DSR Demand Side Response. The reduction in an Eligible DMC's consumer's rate of gas offtake by or to a specified quantity in the period following a forecast supply deficit at D-5 or declaration of a Margins Notice or GBN.
- b DSR Service The framework within which the end to end DSR processes are operated. As set out in section 2 of this document.
- c DSR Market Offer A Market Offer to provide DSR on the OCM which may only be accepted by National Grid NTS National Gas Transmission and when accepted will effect a DSR Locational Market Transaction.
- d DSR Product The arrangements by which all DSR Market Offers will be placed and accepted, as set out in sections 4 and 5 of this document.
- e Voluntary DSR Period The period that commences following the issue of either a Margins Notice or GBN and ends at the earlier of (i) the end of the gas day to which a Margins Notice relates, (ii) the time at which a GBN is no longer in force or (iii) the declaration of a GDE Stage 2. This is the period within which National Grid NTS National Gas Transmission may accept within-day and D-1 DSR Market Offers.
- f OCM Platform – DSR Locational Market The market that DSR Market Offers may be submitted upon. As set out in section 3 of this DSR Methodology.
- g GBN Gas Balancing Notification ref: UNC TPD Section V5.9.

h	GDE	Gas Deficit Emergency ref: UNC TPD Section Q3.2
i	Firm Load Shedding (FLS)	During Stage 2 of a GDE; upon direction from the Network Emergency Coordinator (NEC), National Grid-NTS National Gas Transmission and relevant Transporters may instruct the Consumers to curtail gas offtake at specified sites. Ref: UNC TPD Section Q3.5.
j	Tick Down	A DSR Market Offer may be offered with a reducing down feature that reduces the volume of DSR available on-the-Day as the unaccepted offer progresses through the Day.
k	The GDE Stages	GDE Stages are defined in UNC TPD section Q3.2 and in the Network Gas Supply Emergency Classifications as provided in the National Grid-NTS National Gas Transmission safety case for a Network Gas Supply Emergency
l	Eligible DMC /DMA	As set out in section 6.2 of this DSR Methodology
m	Margins Notice	A notice to inform market participants of a projected imbalance between Expected Available Supply and Forecast Total System Demand for the following Day, as more particularly defined in UNC TPD Section V5.9.
nn	DSR Reduced Quantity	A reduced level of offtake in relation to a DSR Option, as more particularly defined in UNC TPD D7.

Where capitalised words and phrases are used within this document, those words and phrases shall usually have the meaning provided within the Uniform Network Code (unless they are otherwise defined within the terms detailed above).

2. DSR Service

2.1 ~~In relation to DSR arrangements between National Gas Transmission and shippers,~~ The DSR service features three principle contractual arrangements:

- **For commitments to make DSR Market Offers in advance via DSR Options** – Shipper to ~~National Grid NTS~~National Gas Transmission contractual arrangements, backed by Shipper / Supplier / Consumer contracts. Under the rules set out in this methodology and in the UNC TPD Section D7, a Shipper may contract with ~~National Grid NTS~~National Gas Transmission to make a DSR Option Offer(s).

- **For reduction in gas quantity oftaken, at a relevant site** – Shipper/Supplier to Consumer contractual arrangement. ~~In respect of a On behalf of the~~ Consumer (in some cases through instruction by the Supplier), subject to the provisions of section 3.4 of this methodology, the Shipper will agree to place an offer onto the OCM Platform – DSR Locational Market, which reflects the agreed DSR energy quantity and price for ~~the~~ Consumer's reduction in gas ~~oftake from the NTS~~. In return the Consumer commits to honouring and delivering on the agreed energy quantity reduction if called to do so by the relevant Shipper following acceptance of the offer by ~~National Grid NTS~~National Gas Transmission. (Note: Requirements for this aspect of the DSR mechanism shall be defined by the Shipper, Supplier and Consumer through their DSR Service agreements); and

- **For the procurement of the gas associated with the DSR Market Offer** – Shipper to ~~National Grid NTS~~National Gas Transmission contractual arrangements. Under prescribed parameters and criteria set out in this DSR Methodology and the UNC, the Shipper will offer to sell title to gas (associated to the DSR Market Offer), to National ~~Grid~~Gas Transmission, in its role as residual balancer.

2.2 The Consumer (in some cases through the Supplier) will work together with their registered Shipper to set-out and agree details, criteria and arrangements associated with posting the DSR Market Offer(s) for an Eligible site onto the OCM Platform – DSR Locational Market. DSR

Market Offers may be placed, updated or withdrawn, at any time up to the declaration of a GDE Stage 2.

2.3 DSR Market Offers associated to the DSR Service may only be accepted by ~~National Grid NTS~~National Gas Transmission and only for a Day within a Voluntary DSR Period, ~~except where such offers are placed on D-1 following exercise of a D-5 DSR Option.~~ ~~DSR Market Offers posted onto the OCM Platform Locational Market or offered in accordance with section 3.4 will be available for National Grid NTS to accept throughout the DSR Period.~~ DSR Market Offers posted on D-1 pursuant to exercise of D-5 DSR Option shall be accepted by National Gas Transmission in accordance with the provisions of UNC TPD D7.

2.4 ~~National Grid NTS~~National Gas Transmission will promptly notify the OCM Market Operator ~~that when:~~

2.4.1 a Margins Notice and/or GBN has been declared and is in effect;

2.4.2 ~~and also when~~ a GBN has been revoked and a Margins Notice is no longer in force;

2.4.2.4.3 ~~it has committed to exercise D-5 DSR Options.~~

2.5 Where a DSR Market Offer is accepted by ~~National Grid NTS~~National Gas Transmission either on the OCM Platform – DSR Locational Market or as provided in section 3.4~~;~~:

2.5.1 The Shipper will notify the Consumer of the requirement to reduce their notified End Of Day (EOD) offtake by an energy quantity at least equal to the DSR Market Offer or as the case may be, to the DSR Reduced Quantity (including any allowances for 'Tick down').

2.5.2 The imbalance position for the Shipper registered on the UK Link system, will be adjusted to reflect the completed gas trade on the OCM Platform – DSR Locational Market.

2.5.3 DSR Market Offers may be accepted:

2.5.3.1 Solely by ~~National Grid NTS~~National Gas Transmission for national balancing purposes;

~~2.5.3.2~~ Post the declaration of a GBN or Margins Notice up to the end of Gas Deficit Emergency Stage 1; ~~and~~

~~2.5.3.22.5.3.3~~ On D-1 pursuant to the exercise by National Gas Transmission of D-5 DSR Options; ~~and~~

~~2.5.3.32.5.3.4~~ Where the DSR Market Offer meets the criteria set out in the UNC and in this DSR Methodology.

~~2.6~~ National Gas Transmission may also enter into DSR Option arrangements directly with Consumers pursuant to UNC TPD D7 and in accordance with the terms of the DSR Contract that are published on its website.

3. DSR Option Offers

~~3.1~~ In accordance with UNC TPD Section D7, National Grid-NTS/National Gas Transmission shall issue ~~to all shippers- and publish on its website~~ an invitation (DSR Option Invitation) no later than 31 August in each Gas Year ~~to all Shippers~~ seeking commitments ~~from shippers and eligible Consumers to offer DSR within-day, and/or at D-1 and/or at D-5 at specified times post DSR Market Offers in advance~~ (DSR Option Offers) for the forthcoming Winter Period and the next two Winter Periods thereafter, ~~as more particularly described in UNC TPD section D7.~~

3.2 Each DSR Option Offer that a ~~Shipper-DSR Participant~~ may submit shall be required to contain:

3.2.1 The Winter Period each such offer is made in respect of;

~~3.2.2~~ The DSR Reduced Quantity (in kWh) for which the offer is made ~~An energy quantity of DSR with a minimum daily offer of 100,000 kWh;~~

~~3.2.3~~ The Winter Period for which the offer is made;

~~3.2.23.2.4~~ The DSR Reduced Quantity for which the offer is made;

~~3.2.33.2.5~~ The identity of the ~~Consumer-DSR Participant~~ and ~~its~~the supply meter point reference number that will deliver the demand curtailment, if subsequently exercised by ~~National Grid-NTS~~National Gas Transmission;

~~3.2.4~~—The Consumer’s current Annual Quantity which shall not be less than 2 million therms per annum;

~~3.2.53.2.6~~ An Option Price, specified in p/kWh/day, that the ~~Shipper-DSR Participant~~ requires to be paid in return for its commitment to making the relevant quantity available for gas DSR purposes;

~~3.2.63.2.7~~ An Exercise Price, either specified in p/kWh or indexed to the System Average Price (SAP) applicable on the relevant preceding Day ~~on which a Margins Notice or GBN is issued~~, which the ~~Shipper~~DSR Participant requires to be paid if its ~~associated DSR Market Offer is accepted by National Grid-NTS on the Gas DSR Locational Market~~DSR Option is exercised;

~~3.2.73.2.8~~ Whether the DSR Option Offer is for a within-day, ~~or~~ day ahead or D-5 ~~DSR Market Offer~~product;

~~3.2.83.2.9~~ For a within-day DSR Option Offer, the lead-time that shall apply between ~~National Grid-NTS~~National Gas Transmission’s acceptance of the associated DSR Market Offer and the Consumer ~~commencing reduction~~reducing in its gas offtake which shall not exceed 6 hours; and

~~3.2.93.2.10~~ For a day ahead or D-5 DSR Option Offer, the start time for demand curtailment shall be 0500 on the ~~next~~relevant Day.

3.3 ~~National Grid-NTS~~National Gas Transmission shall select DSR Option Offers in accordance with UNC TPD Section D7.56 and the following Option Selection Guidance.

3.3.1 ~~National Grid-NTS~~National Gas Transmission may accept compliant DSR Option Offers received in price order from lowest to highest, determined as an aggregate of Option Price and Exercise Price (and, for the purposes of its assessment, where an Exercise Price is indexed to the preceding Day’s SAP, ~~National Grid-NTS~~National Gas Transmission shall

determine that price to be equal to the forward price for gas for the relevant Winter Period as published in the Argus European Natural Gas Report on the Day that the DSR Option Invitation closes) provided that:

3.3.1.1 DSR Option Offers that may be exercised within a Day may be prioritised according to the offered lead-time and prioritised over those which may be exercised day ahead which in turn may be prioritised over D-5 DSR Option Offers;

3.3.1.2 Any DSR Option Offers selected for acceptance shall be accepted for the relevant DSR Reduced Quantity and Option Quantity and not a part thereof;

3.3.1.2-3.3.1.3 The ranking of DSR Option Offers may be adjusted to reflect the disadvantages of any such offers with a particular Minimum Exercise Interval and/or a Maximum Exercise Period and the advantages of offers without those limits; and

3.3.1.3-3.3.1.4 A DSR Option Offer may be rejected where the relevant Consumer is already contracted by its Shipper with National Grid-NTS National Gas Transmission for the relevant Winter Period for Operating Margins Purposes and where, in National Grid-NTS National Gas Transmission' reasonable opinion, the Exit Facility Deliverability for that Consumer would be insufficient to fulfil both its Operating Margins and DSR obligations and/or if in National Grid Transmission's reasonable opinion, acceptance of the offer may have an adverse impact on whole energy system security.

3.3.2 When selecting DSR Option Offers for acceptance, subject to paragraph 3.3.3, the aggregate value of all DSR Option Offers accepted by National Grid-NTS National Gas Transmission shall not exceed £5,000,000/36,000,000 in respect of any Winter Period.

3.3.3 Where National Grid-NTS National Gas Transmission wishes to accept DSR Option Offers that exceed the

- value specified in paragraph 3.3.2, National Grid-NTS National Gas Transmission shall, within 10 business days from the date on which the relevant DSR Option Invitation closed, submit a report to the Authority including:

3.3.3.1 The DSR Option Offers that it wishes to accept;

3.3.3.2 The aggregate value of such DSR Option Offers; and

3.3.3.3 Its rationale for wishing to accept such DSR Option Offers.

3.3.4 Within 10 business days from receiving the report referred to in paragraph 3.3.3, the Authority may veto ~~National Grid-NTS~~National Gas Transmission's proposal, in which case ~~National Grid-NTS~~National Gas Transmission shall not accept DSR Option Offers with an aggregate value above the value specified in paragraph 3.3.2.

3.3.5 Where the Authority does not veto ~~National Grid-NTS~~National Gas Transmission's proposal, ~~National Grid-NTS~~National Gas Transmission shall accept DSR Option Offers in accordance with its report referred to in paragraph 3.3.3.

3.4 Where a Shipper has a DSR Option Offer accepted, that Shipper shall be obliged to post a DSR Market Offer ~~on behalf of the relevant Consumer~~ either onto the OCM DSR Locational Market or, if the Shipper is not an OCM subscriber, by way of a Non-Trading System Transaction, in ~~the circumstances described in accordance with the provisions of~~ UNC TPD Section D7.

~~3.4.3.5~~ Where a Consumer has a DSR Option Offer accepted and National Gas Transmission has notified the Consumer that the option is being exercised (in accordance with UNC TPD D7 and the DSR Contract), that Consumer shall be obliged to not exceed its DSR Reduced Quantity or, in respect of a within-day option, its DSR Reduced Rate, on the relevant Day.

4. The OCM DSR Locational Market

The OCM includes a DSR Locational Market. Only ~~National Grid-NTS~~National Gas Transmission is permitted to accept Locational bids and offers on the OCM DSR Locational Market; and Shipper market participants will only be able to post Locational and DSR Locational bids and offers.

4.1 ~~National Grid-NTS~~National Gas Transmission will be the only market participant on the OCM DSR Locational Market able to accept Locational bids and offers;

4.2 As Network Code signatories only are able to post Physical Offers, Shippers will be the only market participants able to post Locational bids and offers;

4.3 Subject to section 3.4, DSR Market Offers will be posted on to the OCM DSR Locational Market;

4.4 Within-day and D-1 DSR Market Offers will not be visible on the OCM DSR Locational Market until a Margins Notice or GBN for a Day has been declared;

4.4

4.5 Where a DSR Market Offer is accepted it will be regarded as a 'Locational Market Transaction' that will be undertaken in accordance with UNC TPD section D2.2.1 (d) ~~and~~ 'Locational Market Transaction'; and

4.6 ~~For the avoidance of doubt, all~~ accepted within-day and D-1 DSR Market Offers will be included in the system clearing processes and cash-out for the relevant Day and all Daily Option Fees resulting from accepted DSR Option Offers shall be excluded from such processes. The quantity and price of any DSR Market Offers accepted pursuant to the exercise of D-5 DSR Options shall be excluded from the calculation of cashout prices for day D, as will exercise of any Consumer DSR Options because they would not be executed as an energy trade.

5. The DSR Product

5.1 Where DSR is offered by a Shipper, ~~the~~ DSR Product provides 2 items:

- 1) A specified energy quantity of DSR to be provided by the Consumer; and
- 2) A gas trade for the equivalent DSR energy quantity provided by the Shipper.

5.2 Features of the DSR Product:

~~5.2.1~~ ~~Where the DSR Product must be is provided by a Shipper, it must be~~ associated with a specific ~~Daily Metered Supply Point that has a registered Annual Quantity (AQ) greater than 2 million therms (DMC) or DMA Daily Metered Supply Point.~~

~~5.2.2~~ Subject to section 3.4, the Product must be submitted onto the OCM Platform – ~~DSR~~ Locational market by ~~at~~ the Registered User at the relevant DMC / ~~DMA~~.

~~5.2.2~~

5.2.3 The Product may be offered as;

- 1) a daily product and accepted for each Day exclusively in accordance with UNC TPD Section D2.2.1 (d) a ‘Locational Market Transaction’ (and all DSR Market Offers submitted pursuant to a DSR Option shall be made on this basis); or
- 2) a Multiday product undertaken in accordance with the UNC Section D4 – Multi-Day Balancing Actions;

5.2.4 Subject to section 3.4, the DSR Product must be submitted onto the OCM Platform – ~~DSR~~ Locational market as a DSR Market Offer, prior to the declaration of a Gas Deficit Emergency (GDE) Stage 2;

~~5.2.5~~ ~~Where not posted pursuant to a DSR Option:~~

~~5.2.51)~~ ~~the DSR Product may be offered in separate tranches of energy quantity, which may be priced individually;~~

~~5.2.62)~~ ~~Each tranche will be submitted as a single DSR Market Offer;~~

~~5.2.73)~~ ~~There may be more than one DSR Market Offer at a specific DMC or DMA;~~

~~5.2.85.2.6~~ Each DSR Market Offer must be greater than or equal to 100,000 kWh;

~~5.2.7~~ ~~Where the a within-day or D-1~~ DSR Market Offer has been submitted onto the OCM Platform – ~~DSR~~ Locational market for a relevant Day or as provided in section 3.4, and remains a valid offer, ~~National Grid-NTS~~ ~~National Gas Transmission~~ may accept the offer, during the ~~Voluntary~~ DSR Period.

~~5.2.95.2.8~~ ~~Where a DSR Market Offer is posted on the OCM DSR Locational Market on D-1 following exercise of a D-5 DSR Option, National Gas Transmission shall accept such offer on D-1.~~

6. Eligibility

6.1 Only a Registered User at the Supply Points that comply with the eligibility rules specified in this DSR Methodology may enter ~~DSR Market Offers offers~~ into the ~~OCM DSR Locational~~

~~Market DSR mechanism~~. In turn the DSR Methodology must satisfy the criteria and obligations set out in the GT Licence obligation SC9.22.

6.2 An Eligible Supply Point is

~~6.2.1 Where DSR is offered by a Shipper, a 'DMC' or 'DMA' customer Supply Point;~~

~~6.2.2 Where DSR is provided directly by a Consumer, a DMC Supply Point~~ as defined in the UNC TPD Section A4.3.

~~6.2.2.3~~ An Eligible ~~DMC Supply Point~~ will be:

- ~~1) A Supply Point with a registered demand > 2 million therms per annum (2M tpa);~~
- ~~2) Able to offer a minimum DSR Market Offer DSR energy quantity of 100,000 kWh in any one DSR Market Offer Notice.~~

6.3 A Shipper may only submit a DSR Market Offer onto the OCM Platform – ~~DSR~~ Locational market or as provided in section 3.4 for an Eligible DMC/~~DMA~~ where:

- 1) it is a Registered User at the Eligible DMC/~~DMA~~; and
- 2) it has entered into a DSR Service Contract, with the relevant Consumer, ~~prior to the relevant GBN or Margins Notice being declared.~~

7. DSR Participants

7.1 There ~~may be up to are four~~/five ~~counter~~-parties participating in the DSR arrangement.

7.1.1 Consumer at the Eligible DMC/~~DMA~~;

~~7.1.2 Shipper &~~

~~7.1.3~~ Supplier;

~~7.1.4~~ OCM Market Operator; and

~~7.1.5 National Grid-NTS National Gas Transmission.~~

7.2 Consumers

~~7.2.1~~ The Consumer, ~~as with~~ an Eligible DMC ~~or Eligible DMA~~, may choose to enter into a DSR arrangement with its registered Shipper/Supplier ~~and an Eligible DMC also has the choice~~

to enter into a Consumer DSR Option directly with National Gas Transmission instead of via its Shipper.

7.2.17.2.2 An eligible DMC may only have one DSR contract either with its registered Shipper or directly with National Gas Transmission.

7.3 The Shipper

7.3.1 The Shipper, who must be a Registered User at the Eligible DMC /DMA, is the party eligible to participate on the OCM Platform -- DSR Locational market or as provided in section 3.4 on behalf of the relevant Consumer with the Eligible DMC which then requires a physical response from the relevant Consumer.

7.4 OCM Market Operator

7.4.1 The OCM Market Operator will provide the DSR Locational market within the OCM.

7.4.2 The OCM Market Operator will facilitate offer and acceptance of DSR trades in accordance with the OCM Market Rules contract, and UNC Section Annex D1, which will reflect the DSR Methodology provisions.

7.5 National Grid NTS National Gas Transmission

7.5.1 National Grid NTS National Gas Transmission will be the sole party that may accept DSR Market Offers within the DSR mechanism.

7.5.2 National Grid NTS National Gas Transmission will only accept DSR Market Offers for national balancing purposes.

7.5.3 A DSR Market Offer submitted in respect of the current Day may be accepted by National Grid NTS National Gas Transmission at any time on that Day during a DSR Period, subject to the specified lead-time.

7.5.4 A DSR Market Offer submitted during D-1

1) _____ pursuant to an accepted D-1 DSR Option Offer may be accepted by National Grid NTS National Gas Transmission up to 17:00 on D-1 during a Voluntary DSR Period and otherwise may be accepted subject to the specified lead-time not after this time.;

7.5.42) _____ pursuant to exercise of a D-5 DSR Option shall be submitted by the Shipper not later than 10:00 on D-1 and shall be accepted by National Gas Transmission not later than 12:00 on D-1, with acceptance until 14:00 on D-1 permitted for Non-Trading System Transactions.

7.5.5 The acceptance of a DSR Market Offer by ~~National Grid-NTS~~National Gas Transmission does not affect, or set aside, the Network Emergency Coordinator's (NEC), ~~National Grid-NTS~~National Gas Transmission's or other relevant Transporters' rights or obligations when undertaking their duties under the provisions set out in 'The Gas Safety (Management) Regulations 1996 - NEC Safety Case'.

8. DSR Contractual Relationship

8.1 ~~Where a shipper wishes to participate~~ ~~Prior to participating~~ in a DSR Option Invitation and / or ~~posting~~ a DSR Market Offer the ~~registered~~ Shipper must seek agreement via the Supplier with the relevant Consumer.

8.2 Where a DSR Market Offer is accepted by ~~National Grid-NTS~~National Gas Transmission:

~~8.2.1~~ The DSR Market Offer acceptance will be a contractual arrangement between the Shipper and ~~National Grid-NTS~~National Gas Transmission through the existing OCM Market Rules and UNC contractual arrangements.

~~8.2.18.3~~ ~~Where a Consumer wishes to directly participate in a DSR Option Invitation and has a DSR Option Offer accepted by National Gas Transmission, the terms of the DSR Contract published by National Gas Transmission shall apply to that DSR Option.~~

9. The DSR Market Offer Price

9.1 The DSR Market Offer price will be a p/kWh / ~~per~~ Day conforming to OCM Market Rules.

9.2 The derivation of the DSR Market Offer price will be agreed between the relevant Consumer and its registered Shipper/Supplier and shall not exceed the Exercise Price under the relevant DSR Option, where applicable.

9.3 ~~Within-day and D-1 Accepted~~ ~~accepted~~ DSR Market Offers will be treated ~~in a similar manner to~~as Market Balancing Actions (MBA) and as such all accepted DSR Market Offer prices will feed into the System Average Price (SAP) and System Marginal buy Price (SMPb) calculation for the relevant Day in accordance with existing arrangements for other MBAs.

9.4 Payment for the accepted DSR Market Offer will be made within the same timescales prescribed for all other MBAs, and in accordance with the UNC TPD Section S;

9.5 The Shipper will pay the Consumer the agreed DSR payment for an accepted DSR Market Offer in the contractual timescale agreed by the two parties.

10. Posting DSR Market Offers

10.1 A DSR Market Offer energy quantity placed on the OCM Platform – DSR Locational Market or as provided in section 3.4, in respect of any DSR Market Offer, must be greater than or equal to 100,000 kWh.

10.2 In respect of a DSR Market Offer submitted through the Day on a ‘Tick Down’ option, once the DSR Market Offer reduces below the allowed minimum quantity the DSR Market Offer will be withdrawn from the market for the relevant Day, this is due to the DSR Market Offer falling below the minimum bid criteria and will therefore not be a valid offer.

10.3 DSR Market Offer(s) will be for a specified offtake reduction energy quantity (kWhs) at an Eligible DMC/DMA and in the form specified by the DSR Methodology. Each DSR Market Offer(~~s~~) will relate to one individual energy quantity of reduced offtake (a tranche); for each Eligible DMC/DMA the total energy quantity of offtake reduction of all DSR Market Offers shall not exceed the prevailing Supply Point nominated daily offtake quantity, as set out in the prevailing Gas-FlowOutput Nomination, submitted by the relevant Shipper, for the Eligible DMC/DMA, for the relevant Day and in the case where a DSR Market Offer is submitted pursuant to a DSR Option, shall be for a quantity determined in accordance with UNC TPD Section ~~D7.6.4~~D7.8.5.

10.4 A within day or D-1 DSR Market Offer may be posted on to the DSR Locational market of the OCM or as provided in section 3.4 at any point in time up to the declaration of GDE stage 2 for the Day, but will only be able to be accepted during the Voluntary DSR Period. Where a D-5 User DSR Option is exercised by National Gas Transmission, the shipper shall post an associated DSR Market Offer in accordance with the terms of UNC TPD D7.

11. ~~DSR Market Offer Acceptance~~ / ~~Exercise Arrangements Process~~

~~11.1~~ Where a GBN or Margins Notice has been declared ~~National Grid NTS~~National Gas Transmission may ~~accept~~

~~11.1.1~~ Accept within-day and/or D-1 DSR Market Offers on the DSR Locational market or as a Non-Trading System Transaction where a DSR Option is in force and the Shipper is not an OCM subscriber for each Day that the Voluntary DSR Period is open; ~~and~~

~~11.11.1.2~~ Exercise within-day and/or D-1 DSR Options directly with Consumers.

~~11.2~~ National Gas Transmission may exercise D-5 DSR Options where it projects that Forecast Total System Demand will exceed Expected Available Supply by not less than 14 mcm.

~~11.211.3~~ Following the declaration of a GDE Stage 2 ~~National Grid NTS~~National Gas Transmission will not ~~be required to~~ accept any further DSR Market Offers.

~~11.311.4~~ Where Declaration of a GDE Stage 2 occurs within a Day all DSR Market Offers accepted whilst in GDE stage 1 will continue to apply.

~~11.411.5~~ All available within-day and D-1 DSR Market Offers will be displayed in a price order consistent with all other OCM markets and exercise prices in respect of Consumer DSR Options will be assessed against DSR Market Offers from shippers.

~~11.511.6~~ ~~National Grid NTS~~National Gas Transmission will accept lowest priced offers first in stack order, making an assessment across the OCM Title, Physical, Locational Markets and the lead-time until such offers will be effective.

~~11.611.7~~ Where ~~National Grid NTS~~National Gas Transmission accepts a DSR Market Offer, ~~the Shipper will be notified through existing OCM or Non-Trading System Transaction notification processes.~~; ~~and~~

~~11.6.1~~

~~11.8~~ Where National Gas Transmission exercises a DSR Option directly with a Consumer, it shall notify the Consumer in accordance with the provisions of the DSR Contract.

~~11.6.211.9~~ Where ~~acceptance of such any DSR offer is accepted which~~ requires demand reduction by a Consumer connected to a Gas Distribution Network, ~~National Grid NTSNational Gas Transmission~~ will ~~endeavour to~~ notify the relevant Gas Distribution Network operator.

12. Exercising the Accepted DSR Market Offers Process

12.1 ~~Within-Day and D-1 Daily~~ Product

Where ~~National Grid NTSNational Gas Transmission~~ accepts ~~the~~ DSR Market Offer ~~or executes a Non-Trading System Transaction in respect of DSR;~~

12.1.1 The relevant Shipper will notify the relevant Consumer of the requirement to reduce their gas offtake for the Day by ~~or to~~ the energy quantity specified; at the specified site, within the timescales, and arrangements prescribed in the relevant DSR Market Offer;

12.1.2 ~~As with all Locational Market Offers accepted on the OCM, t~~The Shipper will notify ~~National Grid NTSNational Gas Transmission~~ of the intent to reduce offtake at the Eligible DMC/DMA by submitting a re-nomination at the Eligible DMC/DMA Supply Meter Point, as prescribed in UNC Section D2.3 – Contract Re-nominations.

13. Treatment of Accepted Offers When Entering into a GDE Stage 2

13.1 Where ~~National Grid NTSNational Gas Transmission~~ has already accepted a DSR Market Offer for a Day on which ~~National Grid NTSNational Gas Transmission~~ subsequently declares a GDE Stage 2, in accordance with UNC TPD D5.1.2 the Shipper shall nonetheless be required to make the relevant reduction in its nomination for each Day following the Day the offer was accepted until countermanding instructions are issued by ~~National Grid NTSNational Gas Transmission~~ ~~for i.e.~~ FLS or the restoration stage of the GDE.

14 Payment Arrangements

14.1 In respect of the Day, or Multiday, that the DSR Market Offer contract duration was accepted for, payment will be made ~~to the relevant Shipper or Consumer~~ in accordance with

the accepted DSR Market Offer price or as the case may be, Exercise Price in accordance with the relevant terms.

14.2 For subsequent Days during GDE stage 2; payment at 30-day average SAP for the accepted DSR energy quantity will be made up to the point that the relevant site has been instructed to ~~Ffirm~~ Load shed (FLS), by ~~National Grid NTS~~National Gas Transmission or such other relevant Transporter.

14.3 In the event that the accepted Multiday Offer contract duration runs beyond FLS; the payment will continue to be paid in accordance with the agreed DSR Market Offer price until the contract duration is extinguished.

14.4 Where the Eligible DMC/DMA is FLS the prevailing DSR payment arrangements will apply in accordance with UNC TPD section Q 6.4 - 'DSR Payments' prescribes a DSR payment, for each Day of curtailment, of 30 Day Average SAP (price set from the Day prior to entering Stage 2) multiplied by the energy quantity that was FLS.

14.5 ~~Where As the~~ DSR is exercised through an OCM trade, ~~or~~ as provided by section 3.4, or directly with a Consumer, once the DSR service has been exercised, the relevant Consumer will be entitled to receive the relevant DSR payment until the end of the contracted duration on which the DSR Market Offer was accepted, irrespective of any countermand instruction from ~~National Grid NTS~~National Gas Transmission that ~~thea~~ GBN for the relevant Day has been repealed.

14.6 Payment of Daily Option Fees in relation to DSR Option Offers that have been accepted by National ~~Grid~~Gas Transmission shall be made to the relevant ~~Shippers~~DSR Participants in accordance with UNC TPD Section D7.

15 DSR Settlement Arrangements

15.1 For the purposes of payment and settlement arrangements all accepted DSR Market Offers will be regarded as Market Balancing Actions (MBA) taken by ~~National Grid NTS~~National Gas Transmission. These payments will be settled with the relevant Shipper.

15.2 The Shipper will be required to pass agreed payments associated with the DSR Market Offer to the relevant Consumer within their agreed settlement timescales.

15.3 Where ~~National Grid-NTS~~National Gas Transmission accepts a DSR Market Offer on a Day for which it later declares a GDE Stage 2; the offer acceptance shall continue to be exercised throughout GDE Stage 2 and higher emergency stages. Payments associated with accepted DSR Market Offer energy quantities will be settled as follows:

15.3.1 For each relevant Day after the declaration of GDE stage 2, all settlement of DSR Market Offer energy quantities accepted prior to the declaration of entry into GDE stage 2, will NOT be executed within the settlement timescales prescribed for Market Balancing Action settlement arrangements. These DSR Market Offer payments will be settled in accordance with UNC section Q 6.4.7 - 'DSR Payments', and will be settled within the same timescales and under the funding arrangements provided for DSR Payments relating to Involuntary DSR through FLS.

15.3.2 Accepted DSR Market Offers will receive DSR Payment, at the offer price multiplied by the energy quantity accepted in the DSR Mechanism, for each Day the site is curtailed, up to the day on which the site is subject to FLS. A FLS site will receive DSR Payments, for the total energy quantity of the accepted Offer (including both voluntary and involuntary DSR) in accordance with the DSR settlement arrangements prescribed in UNC TPD section Q 6.4.7 - 'DSR Payments' (provisions introduced in September 2015).

15.4 Supplier Licence Condition 19D of the Gas Supply Licence and Shipper Licence Condition 15A of the Gas Shipper Licence set out the obligation for passing on Involuntary DSR payments to Consumers as soon as reasonably practicable.

15.5 Daily Option Fees payable to ~~Shippers~~DSR Participants in respect of DSR Options shall be settled from balancing neutrality in accordance with the provisions

in UNC TPD Section D7.7. ~~Exercise Fees in respect of Consumer DSR Options shall be settled from balancing neutrality in accordance with the terms of the DSR Contract.~~

16 Liability Arrangements

16.1 When submitting the DSR Market Offer onto the OCM Platform – ~~DSR~~ Locational market or as provided in section 3.4, the Shipper warrants that the DSR Market Offer accurately reflects the details agreed in the relevant DSR Market Offer Notice. The Shipper will be solely responsible and liable for any error or omission in the DSR Market Offer; these liabilities will manifest themselves as clearing (cash-out) costs, Physical Re-nomination Incentive (PRI) charges and Scheduling charges.

16.2 Where the amount of gas offtaken for a relevant Day at the relevant Eligible DMC/DMA is ~~greater not less than or equal to the r~~Re-nomination submitted by the Shipper, in response to the acceptance of a DSR Market Offer, then the Shipper is potentially exposed to clearing costs, and the Consumer has therefore not met its trade requirements. The Consumer and the registered Shipper should consider liability arrangements associated with the Shipper's exposure to such clearing costs.

16.3 Where a ~~Shipper~~DSR Participant has a DSR Option Offer accepted and either ~~(in the case of a shipper)~~ fails to post the ~~associated required~~ DSR Market Offer or ~~(in the case of a Consumer DSR Option) fails to reduce its demand to the level required, posts such offer not in compliance with the requirements of UNC TPD Section D7,~~ that ~~Shipper~~DSR Participant shall be liable to pay a charge determined in accordance with UNC TPD Section ~~D7.6.3.7.5.~~

Section 17 – ~~The UNC Provisions~~

~~In respect of the DSR Methodology the UNC includes the following provisions:~~

~~17.1—Prior to posting a DSR Market Offer onto the OCM or as provided in section 3.4, the registered Shipper will have a record of the agreement, with the relevant~~

~~Consumer of the relevant site, that the Shipper may post the DSR Market Offer(s) on behalf of the relevant Consumer.~~

~~17.2—An accepted DSR Market Offer will be processed and settled in accordance with Locational Market Transaction arrangements.~~

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