

**NATIONAL GRID GAS PLC
GAS DEMAND SIDE RESPONSE (DSR) OPTIONS
INVITATION TO OFFER
GUIDANCE DOCUMENT**

Issued on 18th November 2022

Produced by National Grid Transmission

National Grid House

Warwick Technology Park

Gallows Hill

Warwick

CV34 6DA

Website:

<https://www.nationalgrid.com/gas-transmission/balancing/demand-side-response-dsr>

CONTENTS

Section	Description	Page
1.0	Background	3
2.0	Introduction	4
2.1	DSR Invitation to Offer Documents	4
3.0	DSR Service	4
4.0	Invitation to Offer timetable	5
5.0	Requirements of the Invitation to Offer process	6
6.0	Completion of DSR Packs	7
6.1	Users agreement and acknowledgement	7
7.0	Submission of DSR Offers	7
7.1	Offer Submission	7
8.0	Assessment of DSR Offers and selection factors	8
9.0	Procurement Policies and Registration	9
10.0	Disclaimer	9
	APPENDIX 1 - Submission Guidance for Offer Packs 1, 2 & 3	10

1.0 BACKGROUND

This Guidance Document has been produced 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).

The invitation to offer event is open to all Registered Users (Shippers who have consumers) at offtake points on the NTS and / or connected to Gas Distribution Networks that have an annual quantity of greater than 2,000,000 therms per annum (58.6 GWh).

Modification 0822 and the associated changes to National Grid NTS DSR Methodology are designed to increase the effectiveness of existing pre-emergency tools and reduce the likelihood of entering a Stage 2 Gas Deficit Emergency as per the Network Gas Supply Emergencies (NGSE) framework. The reforms oblige National Grid NTS to issue this invitation to offer in respect of DSR options, whereby Users may commit to offer DSR in advance on behalf of large consumers in return for an option payment. An exercise payment would also apply in the event that DSR is actually utilised. If the aggregate sum of the option payments that National Grid NTS wish to accept exceed £5m, National Grid NTS must seek approval from Ofgem to accept such options.

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.

Some stakeholders that could offer DSR by fuel-switching have highlighted that doing so might cause a breach of their environmental permits because the alternative fuel would release an increased level of emissions compared to natural gas. We are aware that the potential for Government-sanctioned derogations on this point to enable broader gas DSR participation is currently under consideration. Should any such derogation be granted while this Invitation to Offer is open, that might mean that more Users would wish to participate in this Invitation to Offer and/or increase the option quantities offered. Therefore, if this occurs, we will issue a bulletin to all Users that have pre-registered and publish this communication on our website. If any User would wish to submit an offer but is prevented from doing so due to environmental permits, please feel free to contact us.

2.0 INTRODUCTION

2.1 DSR Invitation to Offer Documents

This Guidance Document should be read in conjunction with the following Offer Documents which are available on the National Grid NTS website link below:

<https://www.nationalgrid.com/gas-transmission/balancing/demand-side-response-dsr>

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

To ensure that the offer packs function as intended, please ensure the desktop version of Microsoft Excel is used, and not web based or online versions.

3.0 DSR SERVICE

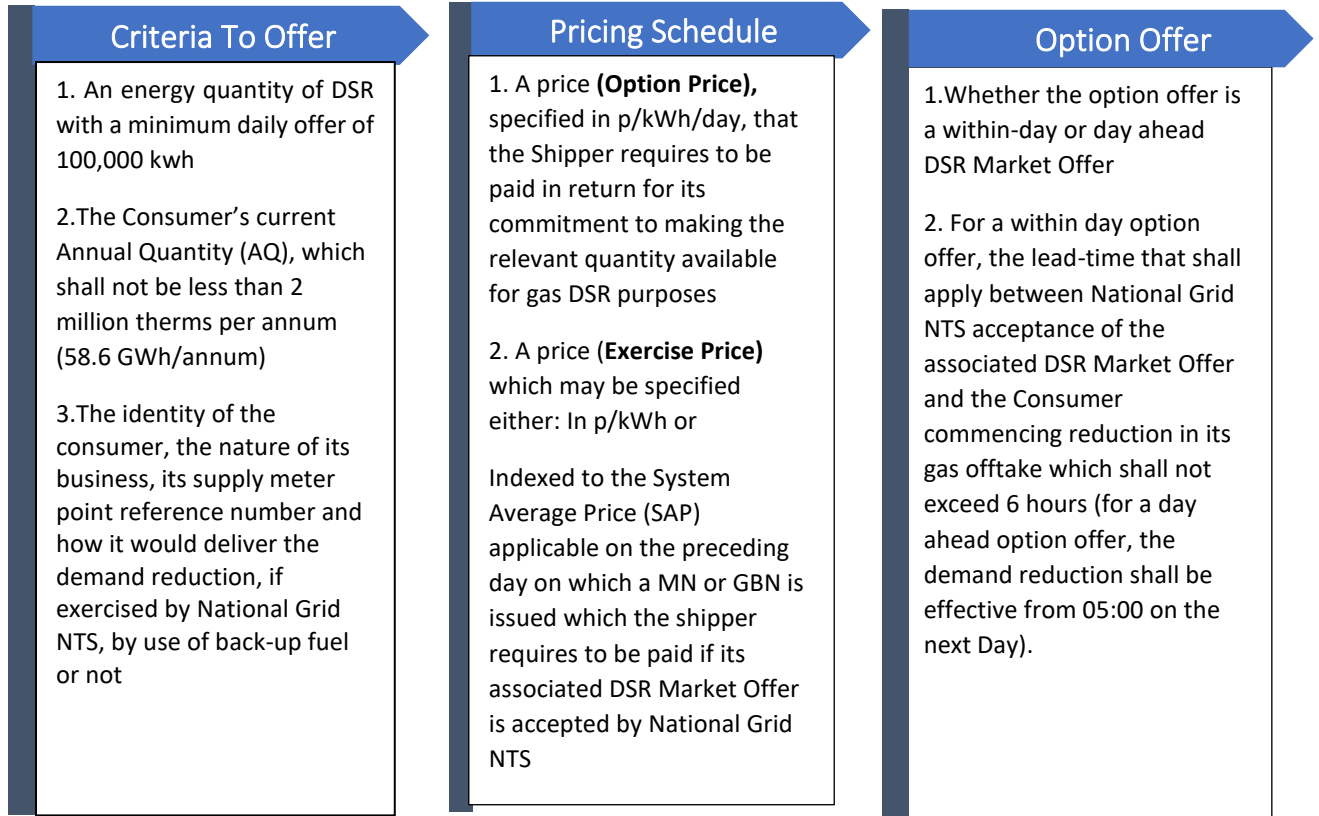
Gas DSR is a commercial tool which would be utilised to mitigate the likelihood of entering a Gas Deficit Emergency through voluntarily flow curtailment of demand following the opening of the DSR Locational Market within the On the Commodity Market (OCM).

There are two triggers for opening the DSR Locational Market these are:

1. Issuing of a Margins Notice (MN) at D-1.
2. Issuing of a Gas Balancing Notification (GBN) within day or at D-1.

A new trigger for exercise would need to be defined in UNC to facilitate a D-5 DSR product.

Prior to each winter period National Grid NTS will publish an Invitation to Offer event inviting Users to offer the following information (the period within which accepted DSR option offers could be exercised in respect of winter period 2022/23 shall be from the date on which National Grid NTS issues



such acceptance in late

December 2022 / early January 2023 until 30 April 2023 and in all succeeding years this will be from 1st November – 30th April).

4.0 INVITATION TO OFFER TIMETABLE

Activity	Date
Market Notification via ENA (Energy Networks Association)	4th November 2022
Final Day to respond to notification	17th November 2022
Invitation to Offers published to market via ENA (Energy Networks Association)	18th November 2022
Offer Submission Date	12.00hrs (GMT) 9th December 2022
Offer evaluation period	9th December to 23rd December 2022
Acceptance and rejection letters sent for Within day and D-1 offers	Between 23 rd December 2022 and 11 th January 2023

If we receive any offers in respect of a D-5 DSR product, such offers would not be capable of acceptance until and unless a UNC Modification and corresponding change to our DSR Methodology had been implemented which set out the rules for such an additional DSR scheme. If such changes were implemented, we would then contact the relevant User(s) and seek consent to accept any such D-5 offers within a period to be defined in such subsequent UNC Modification. We would expect that this would be within 1-2 weeks following such approval.

5.0 REQUIREMENTS OF THE INVITATION TO OFFER PROCESS

The User must complete all the fields in the relevant Offer Pack(s) and must enter only 1 item of data per field.

By submitting a within day or D-1 offer, the User is agreeing to be bound by the terms submitted without further negotiation or amendment. **Any D-5 offers submitted shall be non-binding as provided in sections 1 and 3 of this document.**

If the User wishes to submit an offer in respect of multiple consumers, they must submit a separate offer pack per consumer, each submission is for the consumer outlined in part 2 of the Offer Packs.

Users cannot submit offers for Within Day, Day Ahead and D-5 options for the same tranche of load reduction, nor can more than one offer be submitted in respect of the same tranche as per UNC TPD section D7.4.2(b).

The User must provide (if requested by National Grid NTS) satisfactory evidence to support all offered parameters to enable National Grid NTS’ assessment of Offers in compliance with the UNC rules established by UNC Modification 0822 and the DSR Methodology Statement.

National Grid NTS have identified seven categories for Users to indicate which consumer type an option offer is submitted in respect of which are listed below along with a definition:

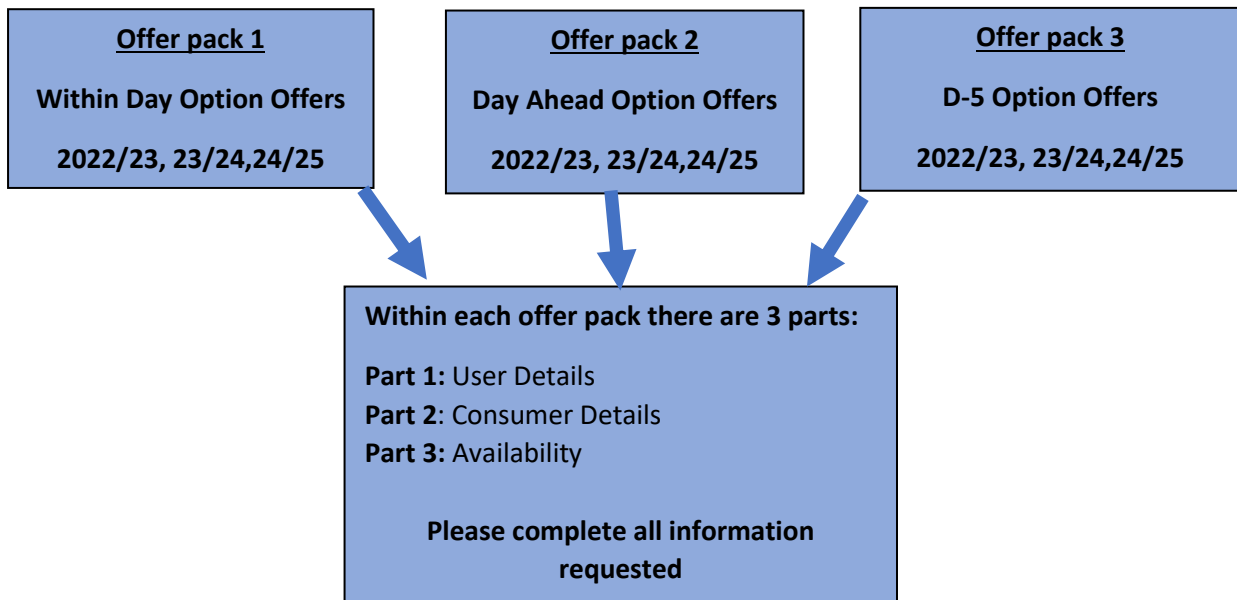
Category Name	Definition
Chemical	Facility involved in the production or manufacture of chemicals.
Food & Drink	Facility involved in the production, growth or maintenance of food and drink products.
Heavy Industry – Steel, Glass etc	Facility involved in the production or manufacturing of heavy industrial products with very large energy consumption. Steel Works, Glass production, Ceramics and Brick factories are examples.
Manufacturing	All other manufacturing facilities, examples of which would include automotive, building products, textiles etc
Power Generation	Facilities involved in the production of electricity.
Public Services	Facilities that support the general public.
Other	Any other type of industrial / commercial sector. An additional field has been provided on the Offer Pack to provide a description of the business if “other” is selected.

For within-day and D-1 DSR Offers the User is required to have the relevant contracts in place with the Consumer (potentially via the Supplier) that set out the arrangements for demand curtailment, including communication process, transfer of funds and liabilities for non-compliance.

National Grid NTS will produce and publish an offer outcome report in respect of within-day and D-1 Offers 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.

6.0 COMPLETION OF DSR OFFER PACKS

3 DSR offer packs containing worksheets for winter periods **2022/23, 2023/24 and 2024/25** will be published alongside this document:



If you are unsure which section of the offer pack you should be completing as part of your offer, please contact Brendan.Mullan@nationalgrid.com or Andrea.Godden@nationalgrid.com

6.1 Users Agreement and Acknowledgement

Once the relevant offer pack(s) have been populated, it should be emailed to Brendan.Mullan@nationalgrid.com and cc Andrea.Godden@nationalgrid.com If a User wishes to submit any additional information in relation to its offer submission, a cover letter may be e-mailed in addition to the offer pack.

National Grid NTS may disclose the terms of any offer to Ofgem and BEIS prior to acceptance. National Grid NTS may disclose the identity of participating Users to the OCM Market Operator, ICE Exendex for validation purposes.

7.0 SUBMISSION OF DSR OFFERS

7.1 Offer Submission

Users that wish to participate in this invitation to offer 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**.

National Grid NTS reserves the right to deal with late submissions in a manner which it feels most appropriate taking account of any circumstances.

If any unforeseen issue (e.g., technical issues with email) prevents a DSR Offer from being submitted by the deadline, the User must notify National Grid NTS of such issue within a reasonable period before the submission deadline.

If, in the sole judgement of National Grid NTS, a User has failed to submit a compliant within-day or D-1 DSR Offer, National Grid NTS reserves the right to:

1. Accept the DSR Offer in question; or
2. Reject the DSR Offer in question; and/or
3. Take any other action it deems appropriate in the circumstances, including requesting the User to amend any parameters other than prices, so that it is made compliant.

If any further information is required to assist with the preparation of an DSR offer, the User should request this information from National Grid NTS. National Grid NTS may consider it necessary to copy any further information given in response to specific enquiries to all other Users.

8.0 ASSESSMENT OF DSR OFFERS AND SELECTION FACTORS

All DSR offers submitted will be accessed, examined for completeness, and logged by an evaluation team.

National Grid NTS will cross-check between Operating Margins Agreements and / or Constraint Management Contracts to ensure there are no conflicting arrangements by those responding to the Invitation to Offer.

National Grid NTS shall carry out an offer assessment of all offers received and may accept compliant DSR Option offers in accordance with UNC TPD section D7.5:

- **In price order** from lowest to highest, determined as an aggregate of option price and exercise price. Please note, where an indexed Exercise price has been selected, National Grid NTS will assume for the purposes of offer selection, the SAP price to be the forward price for the relevant Winter Period as published in the Argus European Natural Gas Report on the day the Invitation to Offer closes.
For Winter 2022/23 offers, the Q1 2023 price quoted in such report shall be used.
- National Grid NTS may also prioritise DSR option offers that may be exercised within a gas day over those for day ahead.

National Grid NTS may either accept or reject a DSR offer by issuing a DSR Offer Acceptance, or a DSR Offer Rejection.

Any offer that is regarded as non-compliant or unclear may be referred by National Grid NTS back to the User for clarification.

Where a User has specified that a DSR option offer for a Winter Period may only be accepted if other DSR option offers for other Winter Periods in respect of that same Consumer are also accepted, National Grid NTS will either accept all such offers or none of them.

There is no limit on the aggregate energy quantity of within day and D-1 DSR option offers that National Grid NTS may accept for each Winter Period.

Under no circumstances will National Grid NTS be legally bound to accept any offer made by any party or to accept any offer at all, or to reimburse any cost or expenditure whatsoever or howsoever incurred by any party in preparing and submitting an offer.

Before submitting an offer, Users should satisfy themselves that they meet all legal requirements necessary for participation in this Invitation to Offer. National Grid NTS will issue DSR Offer Acceptances and Rejections in respect of within-day and D-1 DSR Offers between 23rd December 2022 and 11th January 2023.

As an outcome of the offer process Users whose within-day and/or D-1 offers are accepted during the DSR winter period will receive monthly option payments in line with the scheduled Energy Balancing Invoice which is issued on the 23rd business day each month (M+23) and the payment will be received calendar 12 days after the issuing of the invoice.

The total option payment for each User shall be apportioned pro-rata for each relevant month. For example, the option payment in respect of January 2023 shall be issued on 7th March 2023 (12 days from 23rd February 2023).

9.0 PROCUREMENT POLICIES AND REGISTRATION

It is National Grid NTS's procurement policy to procure goods and services competitively, ethically and efficiently in accordance with all relevant laws, regulations and licenses. In particular, all business should be carried out in line with the values and aspirations outlined in our Supplier Code of Conduct.

<https://www.nationalgrid.com/suppliers>

10.0 DISCLAIMER

This Guidance Document is not intended to be legally binding on National Grid NTS, or to form any offer capable of acceptance and nothing in it shall create any legal relationship between National Grid NTS and any User.

Those offering to provide National Grid NTS with services relating to DSR in response to this offer shall satisfy themselves of the accuracy and completeness of any information they may use in preparing their offer submissions, whether such information is provided by National Grid NTS, or comes from any other source. National Grid NTS, its advisors and any other person responsible for production of any information to an offer do not accept any duty of care to the User.

The information contained in this Offer Guidance is, to the best of National Grid NTS's belief, accurate and has been provided in good faith. However, no warranty or representation or other obligation or commitment of any kind is given by National Grid NTS, its employees or advisers as to the accuracy or completeness of the information contained in this Offer Guidance.

Neither National Grid NTS nor its employees or advisers shall be under any liability for any error, misstatement or omission in this Offer Guidance, nor shall any such information constitute a contract or part of a contract.

Appendix 1 – Submission Guidance for Offer Packs 1,2&3

1	User Company Name (Including company number)	Please insert the Shippers company name.
2	User Representative, Job Title	For the purposes of receiving DSR Offer Acceptance Notices and DSR Offer Rejection Notices, and for any questions in relation to the DSR offer, please specify the representative for whose attention such notices are to be marked.
3	User Representative Address	Please insert the representative's address.
4	User Telephone Number	For the purposes of receiving offer queries, please specify the representative's telephone number.
5	User Out of hours Telephone Number	For the purposes of receiving DSR Market Offer queries which may occur outside of core working hours in the event of the DSR Market opening.
6	User E-mail Address	For the purposes of receiving communications, please specify the representative's email address.
7	User Legal Agent Name	Where the User is based outside of England and Wales, please provide details of your appointed agent for service of process.
8	User Legal Agent Address	Where a legal agent is appointed, please provide an address for service of process.
9	Shipper Short Code	Please insert the 3-character code
10	Consumer Name	Please insert name of the Consumer that would provide the demand curtailment if exercise by National Grid NTS.
11	Consumer Location	Please insert full facility address including postcode.
12	Type of Business	Use Drop Down Box for answer. Several different sectors have been provided. Please select the one which is most relevant to the site / facility which will be offering the demand curtailment
13	If other, please specify	Please confirm the sector which the site / facilities operate in if the list provided is not adequate
14	Annual Quantity	An estimate of the total level of gas consumption by the Consumer during a 12-month period, as further defined in the UNC. To be eligible to participate in DSR a site must have a minimum annual quantity of 2 million therms (58.6 GWh)
15	Gemini Meter ID	Required to identify the specific site on National Grid NTS' commercial system
16	Multi Year Offer	Use Drop Down Box for answer Indicate whether an Offer may only be accepted if offers for other Winter Periods are also accepted
17	If yes, how many additional years?	Use Drop Down Box for answer DSR offers can be made for the forthcoming Winter period and

		or up to Y+2. Therefore, covering 3 Winter periods through one offer process
18	How will the demand reduction be delivered?	Use Drop Down Box for answer , please confirm how the demand reduction offered will be delivered e.g. via fuel switching or reduction in the productivity of the facility
19	If the consumer has the capability to switch to back-up fuel, what type of fuel is this?	This is a free text box to enter the type of fuel
20	Website for Service Availability / Unavailability	Where information concerning the Consumer's planned outages are published on a website, please insert the URL here.
21	Consumer's Planned Maintenance Periods	Please set out the dates of planned maintenance outages across the periods offered. National Grid NTS can then take an informed view across all offers received to assess overall availability across the period.
22	DSR Tranche Number	Each tranche offered is assigned a tranche number. A maximum of 10 tranches may be offered in respect of each Consumer.
23	Reduction Quantity (kWh/d)	The offered DSR quantity in kWh/d per tranche
24	Lead Time (Within Day Offers only)	The number of hours required between acceptance of an associated DSR Market Offer by National Grid NTS and the time at which it will take effect. Please note this is only required for Within Day offers and is greyed out for Day Ahead offers
25	Option Price (pence/kWh/day)	The price that the User requires to be paid in pence/kWh per day if the option offer is accepted. The option payment for each day in the relevant winter period will be calculated by multiplying the Reduction Quantity by the Option Price.
26	Winter period Number of days	The period within which accepted DSR option offers could be exercised in respect of winter period 2022/23 shall be from the date on which National Grid NTS issues such acceptance in late December 2022 / early January 2023 until 30 April 2023 and in all succeeding years this will be from 1 st November – 30 th April):
27	Total Option Fee for Winter period	This is to be paid to the User in return for is commitment to making the relevant quantity available for gas DSR purposes
28	Exercise Price (pence/kWh or Indexed to D-1 System Average Price)	Please confirm if you would like to define an Exercise Price as either a Pence/kWh value or have it indexed to the preceding day's SAP. Please input only one option