

Senior Contracts Officer
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www.nationalgas.com

31st July 2024

Dear Colleague,

RE: INVITATION TO OFFER LETTER: ANNUAL DEMAND SIDE RESPONSE (DSR) OPTION INVITATION

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 Demand Side Response (DSR) options in accordance with its obligations under the Uniform Network Code (UNC).

The Demand Side Response (DSR) Invitation to Offer is structured to reflect amendments to the gas DSR regime following Ofgem's approval of UNC Modification Proposal 0866S 'Amendments to Demand Side Response (DSR) Arrangements'.¹

NGT has incorporated the following changes for this year's tender:

- The NGT option assessment period is now dependent on the number of offers received.
- NGT may take into account the relative value of offers received, based upon:
 - Quantity (a larger quantity is more attractive)
 - Option price (which would be paid to a successful tenderer regardless of whether the option is exercised)
 - Exercise price (lower likelihood of payment being required).
- The determination of the Winter Average Demand shall be based on 3 years demand history rather than one.
- Tenderers may elect to provide a forecast Winter Average Demand with accompanying evidence which is subject to further terms and conditions.
- Tenderers will now be permitted to specify a maximum number of consecutive days on which an option may be exercised.
- Changes to within-day options:
 - Tenderers may specify a minimum number of hours that shall apply.
 - For Within Day the Option Quantity must be equal to or higher than the 100,000-kWh taking into account the lead time.
- Class 2 Consumers may now contract directly with NGT for DSR Options as well as Class 1 Consumers; and

¹ [Amendments to Demand Side Response \(DSR\) Arrangements](#)

- Consumers that would otherwise be required to provide credit support for their DSR option may instead elect to receive their option fee after the end of the relevant winter period.

A full description of the DSR reforms that have been implemented since the 2023 DSR options tender can be found in section 5 'Solution' of the Final Modification Report for UNC Modification 0866S.

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 where the Winter Average Demand minus the DSR Reduced Quantity is equal to at least 100,000 kWh.

As part of the DSR tender NGT will be seeking commitments from shippers and eligible Consumers to offer DSR 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 to 30th April) and the next two Winter Periods, thereafter, as more particularly described in UNC TPD section D7.² A standard set of terms and conditions applies to all DSR options where NGT contracts directly with a consumer, a clean version of this contract to reflect this year's reforms is available on the DSR webpage of NGT's website.³

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
- Consumers Offer Pack 1 – Within Day Option Offers 2024/25, 2025/26, 2026/2027
- Consumers Offer Pack 2 – Day Ahead Option Offers 2024/25, 2025/26, 2026/2027
- Consumers Offer Pack 3 – D-5 Option Offers 2024/25, 2025/26, 2026/2027
- Shippers Offer Pack 4 – Within Day Option Offers 2024/25, 2025/26, 2026/2027
- Shippers Offer Pack 5 – Day Ahead Option Offers 2024/25, 2025/26, 2026/2027
- Shippers Offer Pack 6 – D-5 Option Offers 2024/25, 2025/26, 2026/2027

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](#)

² [UNC TPD D7](#)

³ [Consumer DSR contract](#)

Invitation to Offer Timetable

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

| Activity | Date |
|---|--|
| Pre-tender Market Notification | Wednesday 17 th July 2024 |
| Tender launched, Invitation to Offer period commences | Wednesday 31 st July 2024 |
| Offers Submission Deadline | 17:00 (BST) Friday 30 th August 2024 |
| Offer evaluation period* | Monday 2 nd September to Friday 13 th September 2024 |
| Offer and Acceptance letters sent** | Friday 13 th September 2024 |
| Rejection letters sent** | Friday 13 th September 2024 |
| Deadline for publication of tender outcomes | Friday 20 th September 2024 |
| DSR Options effective (01 Nov 24 to 30 Apr 25) | Friday 1 st November 2024 |

*We may extend these dates by either 1-week or 2-weeks depending on the number of offers received.

**If aggregate option fees that NGT wishes to accept exceed £36m, a referral to Ofgem is required which will extend these dates by up to 2 weeks.

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.

Alternatively, where a Consumer submits a DSR Option Offer and does not satisfy the credit conditions of the DSR Contract, the consumer may elect to receive its option fee after the Winter Period to which its offer applies instead of providing credit support.

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 Pamela.Fancourt2@nationalgas.com and Brendan.Mullan@nationalgas.com

WINTER AVERAGE DEMAND (WAD)

Following a DSR Option Invitation, NGT will determine and notify the Winter Average Demand to each DSR Participant whose DSR Option was accepted.

Alternatively, if a prospective DSR Participant considers that Winter Average Demand as calculated will not accurately reflect demand for the Winter Period in respect of which a DSR Option Offer is being submitted, such party may submit a forecast of its Winter Average Demand ("Winter Average Demand

Forecast”) as part of its DSR Option Offer but Option payments will be retained, further details are available in the Invitation to Offer guidance document.

Quantity offered

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 Pamela.Fancourt2@nationalgas.com and Brendan.Mullan@nationalgas.com

INVITATION TO OFFER SUBMISSION DATE

Participants this invitation to offer event must submit their DSR Offer pack(s) via email to Pamela.Fancourt2@nationalgas.com and Brendan.Mullan@nationalgas.com no later than **17:00 BST on 30 August 2024**.

If a tenderer 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

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 tenderers.

If you would like to discuss the Invitation to Offer event further or have any questions, please contact Pamela.Fancourt2@nationalgas.com, Brendan.Mullan@nationalgas.com or Philip.hobbins@nationalgas.com

Yours sincerely,

Pamela Fancourt

**Senior Contracts Officer
Commercial and Incentives , National Gas Transmission**