DSR Invitation To Offer

Questions and Answers

12th September 2023

Ref	Question	National Gas Transmission Answer
1	Is aggregation of meters allowed especially for Class 2 meters that may be below the 100,000-kwh limit?	Not at present, however aggregation is a key topic we wish to explore for DSR reform for 2024/25.
2	Are the Shipper penalties the same as per last year (i.e., risk of imbalance)? I can't recall if there was an Agreement in place. Please share if there is one.	There has been no change to the failure to deliver arrangements for Shipper DSR.
3	Failure to deliver. The formula in the contract seems to suggest that if you have one failure day and there may have been 1 Exercise Day, then potentially you could be penalised 110% of your Option Payment for failing to deliver once. Is my interpretation correct?	Yes. This would be scaled based on the number of days called though, so for example if DSR called on 4 days, three successful response days and one failure day then the liability would be 25% of that figure.
4	How much volume is NGT looking to procure this winter for DSR? Given the examples and the £36m initial cap on Option Payments, it does not look like it may be a large volume.	We do not have a definitive number to procure but anticipate that 2-3 million cubic metres per day may be an achievable / useful volume.
5	Is it a clear at bid price until you reach your required volume and will partial volumes clear (i.e., if we bid 300,000 kWh/d and you only have 120,000 kWh/d to fill, would there be a partial fill)?	We will only accept offers in full not for part of the quantity offered. See answer to Q4 in relation to the first part of this question.
6	How do we decide the prices to offer? Are there set guidelines for this based on which option (within day, D-1, D-5) we would be interested in?	It is entirely up to tenderers to define the option and exercise prices they wish to offer, although we would expect them to be based on a site's opportunity cost of either switching to an alternative fuel or the impact of reduced levels of production. We may prioritise our acceptance based on shortest lead-time as the most attractive and might expect within-day prices to be lowest, given that we would only ever be able to exercise part of the reduction quantity. Whilst of course the past is not necessarily a guide to the future in relation to prices we may accept, here is a link to last year's Tender Results
7	What happens if you issue an agreement post tender to us and we do not provide the bank guarantee/cash (if asked)	If the agreement is signed, security is required and then the consumer does not post security by 30 Nov then it is an Early Termination Event under the DSR contract, and we can give notice of termination under clause 10.1.)

8	Liability is expressed in the agreement as £1,000,000. What liability risk to you see – is this just the £/value to be determined by the penalty provisions?	There is no specific risk that gives rise to this, it is just a 'catch all' limit in addition to the 'prescribed' liability that could arise for failure to deliver under clause 6.
9	D-5 – please explain how the D-5 cycle works – is it a discretionary call by NGG 5 days out - if circumstances improve, then are NGG still compelled to carry through on the D-5 call or withdraw?	The trigger to allow NGT consideration of D-5 exercise is if forecast demand exceeds expected available supply by at least 14 mcm based on our Margins Notice forecast 5 days out. We then have discretion about whether to exercise. Once exercised, it stays exercised regardless of how the next 5 days turns out.
10	Did we clarify if we can access the Margin notice (normally only through ANS to shippers?)	This was one of the actions from the webinar on 23rd Aug. The answer is not at present but we have raised a request internally to enable it.
11	In case of a continuation of a call triggered by what subsequently turns out to be a multi-day GBN – is each gas day one call or is the continuous call measured as one? In other words, do you always exercise one day at a time despite what is happening with the GBN?	Each gas day of exercise counts as 'one call.'
12	In case of an early termination caused by not remedying a breach (of not posting credit assurance by 30 November), there is no termination charge as far as I can see - unless NGT had exercised over November?	There is no termination charge as such although clause 10.4 in the Consumer DSR contract provides for any reasonable expenses to be reimbursed.
13	If the circumstances D-5 and D improved – why would NGT not withdraw the call (assuming the improving conditions were not relying on exercising that call, for example if something had fallen over in Norway for example but then returned to service?)	The rationale is to give certainty to the consumer and keep our additional operational workload manageable. Assuming a D-5 consumer is one who needs to start taking action on D-5 to deliver a demand reduction on D then they would already have incurred (some) exercise costs at that stage and a facility to revoke could generate uncertainty and frustration for the consumer. From our operational perspective, we would need to develop criteria to see whether variable a, b, or c had improved on D-4, D-3, D-2, the frequency with which we would check, how we measure it, what is the latest we could still revoke etc. This is not impossible clearly but adds extra complexity.
14	Under all options are we do assume these are for part or whole of a gas day	Within-day will always be for part of a gas day, even though we assess and pay an option fee for a daily quantity. D-1 and D-5 will always be for a full gas day

15	A Margins Notice expires at the end of a gas day so if only a Margins Notice has been called (unlikely but no GBN or 5-day risk) then there would be no risk of a continuous days of DSR unless a Margins Notice was called the next day?	Correct, the DSR market would effectively close when the MN times out, but it is in theory possible that a further MN is issued the next day.
16	GBN continues until formally withdrawn by NGT – this means the call for DSR could be automatically continuous i.e.(potentially) for multiple days	Correct – if no GBN withdrawal notice has been issued then we may exercise on subsequent days (unless we progress to declare a stage 2 emergency)
17	Scenario is bidding in with a number days being required between calls (to restock for example). The option fee ignores this in that we are paid for being available via the option fee irrespective that we may actually be only available 13 days over the winter (if we needed a fortnight between calls). This will have a bearing your assessment but not our calculation of the option fee calculation ie. demand quantity x option fee x 181 days.	**Fees** In respect of the DSR Option: • the "**Daily Option Fee**" is the amount (in £ per Day of the Winter Period) calculated as the Option Price multiplied by the Option Quantity; • the "**Monthly Option Fee**" is, in respect of each month in the Winter Period, the Daily Option Fee multiplied by the number of Days in the month. • The **Monthly Option Fee** shall be payable by NGT to the Consumer in respect of each month in the Winter Period. • The **Monthly Option Fee** shall remain payable notwithstanding a DSR Cessation Notice is issued and in force. • Where NGT exercises the DSR Option the "**Exercise Fee**" is the Available Exercise Quantity multiplied by the Exercise Price. • The **Exercise Fee** shall be payable by NGT to the Consumer where NGT exercises the DSR Option and the Consumer complies with the Exercise Instruction. • The **Monthly Option Fee** and the Exercise Fee shall be exclusive of Taxes, VAT and the Climate Change Levy.

		• The **Monthly Option Fee** and the Exercise Fee shall be payable by NGT in accordance with Clause 7.
18	On the Exercise price- what gas consumptions gets used to calculate how much we would get back for a stop. Is it done on WAD, WAD – Reduced quantity or Reduced quantity.	In answer to your question, it depends on whether you bid directly (only possible for daily metered sites with an annual consumption greater than 2 million therms (or 58,600 MWh) per year) or through a shipper, and which DSR option product you hold (i.e. within day, D-1, D-5) **Consumer direct DSR:** Exercise fee is based on WAD minus DSR Reduced Quantity for all products (with within-day scaled based on the number of hours remaining in the gas day) **Shipper DSR** Within-day: exercise fee is based on the prevailing offtake nomination* minus DSR Reduced Quantity scaled based on the number of hours remaining in the gas day D-1: prevailing offtake nomination minus DSR Reduced Quantity D-5: WAD minus DSR Reduced Quantity * The nomination is the shipper's view, provided to NGT, of the expected quantity of gas that a site will offtake over the course of a gas day

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