

Gas
Transmission

Pre-Mod Discussion: Introduction of a D-5 Demand Side Response Scheme

Transmission Workgroup
1st December 2022

nationalgrid



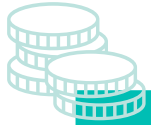
Agenda

1. Re-cap on Gas DSR Reforms for this Winter

2. Introduction of a D-5 DSR Scheme

3. Summary & Next Steps

Stakeholder Views



**Costs &
Incentives**



Lead-time



**Alternative
Fuels**

Overview of DSR Reform Proposals for this Winter

Invitation to Offer

For this Winter and/or the next two Winters

Shippers offer option quantities, option price and exercise price

Delivers a guaranteed level of response

Option Payment

Designed to be passed onto the relevant consumer

Obligation to trade with National Grid when supplies are tight

Funded by all other shippers

Extend DSR Window

Extend the trigger from within-day to D-1

Enables more participation

DSR Options Invitation to Offer

- Timeline of Key Events

	Process	Key Dates	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
D-1 and Within Day DSR Options	Pre-tender communication and timetable issued	04-Nov-22	★						
	D-1 and Within Day options tender published	18-Nov-22	★						
	Tender period			→					
	Tender period closes	09-Dec-22		★					
	Offer evaluation period				→				
	Notify tendering shippers of outcomes*	23-Dec-22			★	→			
	Notify wider industry of aggregate tender outcomes					→			
	D-1 and Within Day DSR options effective								→
* Plus potentially a 10 day reference to Ofgem for >£5m options fees.									

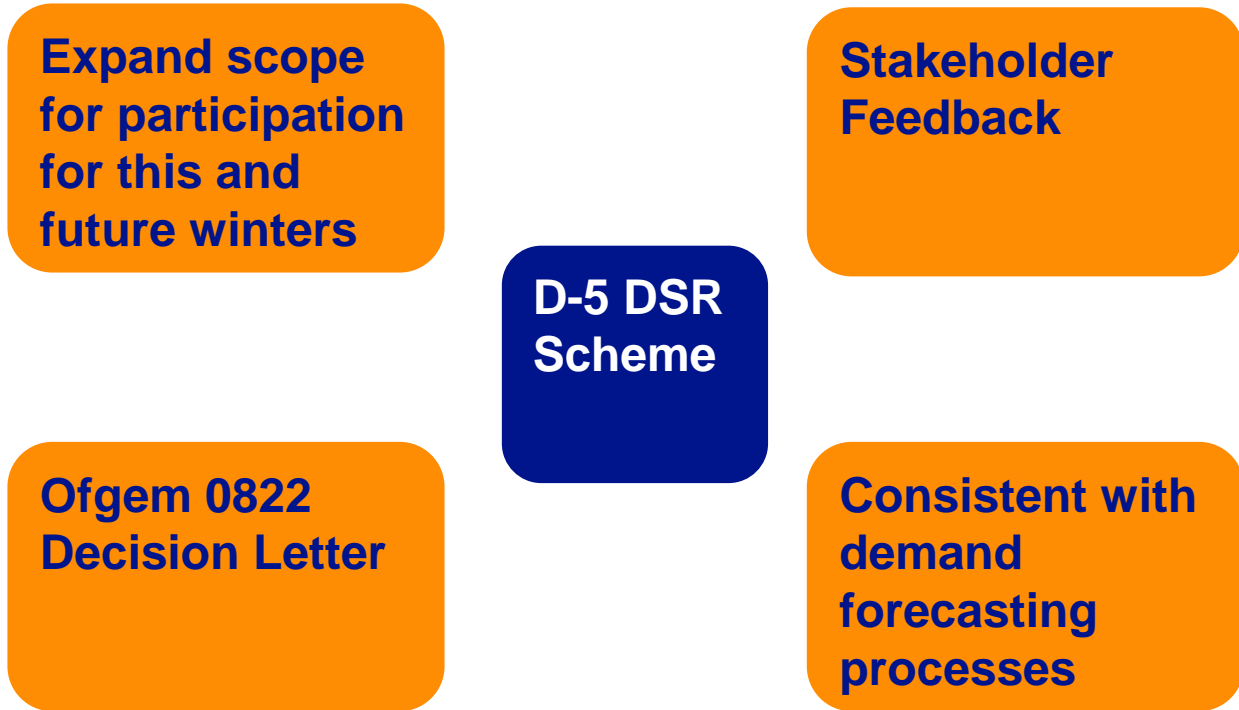
In this process, we are also seeking non-binding D-5 DSR option offers, acceptance subject to later implementation of a UNC Modification

Pre-Mod Discussion: D-5 DSR Scheme

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Why a D-5 DSR Scheme?



Outline of Proposal

A 'balancing service'

Extension of D-1 and within day DSR options to include a D-5 product

- Shippers commit to offer DSR on behalf of large consumers when trigger is met
- Option for National Grid to exercise 5 days in advance
- Options exercised up to a forecast shortfall in supply vs forecast demand
- Mirror UNC0822 rules as far as possible

Urgent Modification procedures needed to deliver D-5 options during this winter

Complimentary changes to our DSR Methodology

Key issues

Issue

Initial Proposal

Thresholds for participation

Consumer > 2m therms pa and 100,000 kWh minimum offer

Relationship to D-1 / within day offers

Separate products: Shipper may submit offers for one product per consumer

Shipper Obligations

Post DSR Market Offers for NGG to accept upon trigger / NGG instruction

DSR Market Offer quantity

Lesser of the accepted option and the prevailing nomination

Exercise commitment

Commitment given by NGG at D-5 (unlike D-1 and within day where option not to trigger is retained)

Key issues

Issue

Initial Proposal

Exercise trigger

Exercisable where margins notice forecast for D-5 indicates expected available supply < forecast demand by > 5 mcmd

Exercise mechanism

Shipper posts an offer at D-5 for D on the OCM or NGG notification of exercise at D-5, shipper posts offer at D-1

Funding Arrangements

As UNC0822: options funded directly from balancing neutrality, exercise costs and price feed into cashout for day D. Ofgem referral for aggregate option costs > £5m

Certainty of requirement

Recognition that a longer lead-time product carries inherently greater uncertainty

Proposed Timeline

Process	Key Dates	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Pre-mod discussion at Transmission Workgroup	01-Dec-22		★					
Meeting with industrial consumers / associations	28-Nov-22	★						
Extra-ordinary Transmission Workgroup	08-Dec-22		★					
Draft UNC Mod, legal text and DSR methodology changes			---					
Implementation capability assessment			---					
Mod & methodology go / no-go decision	12-Dec-22		★					
Raise UNC Mod (urgent) and methodology derogation request	12-Dec-22		★					
Ofgem approve Mod urgency & methodology derogation requests	13-Dec-22		★					
UNC Mod consultation (14 bus days)	starts 14-Dec-22		-->					
DSR methodology consultation (14 bus days)	starts 14-Dec-22		-->					
Consultations close	06-Jan-23			★				
Extra-ordinary UNC Panel meeting	12-Jan-23			★				
Submit DSR consultation report to Ofgem	12-Jan-23			★				
Ofgem approval of UNC Mod and DSR methodology	20-Jan-23			★				
NGG opens 2 week window for consent to accept D-5 offers	23-Jan-23			-->				
D-5 acceptance window closes	06-Feb-23				★			
NGG assessment process starts based on shipper responses (10 bus days)	07-Feb-23				★			
NGG assessment process completion	21-Feb-23				★			
Acceptance / rejection notifications issued for D-5 offers, offers effective	21-Feb-23				★			
Ofgem referral period (10 bus days) starts (depends on value of D-5 options)	21-Feb-23				★			
Ofgem veto / non-veto deadline	07-Mar-23					★		
Longer duration DSR options in force	07-Mar-23						-->	

Summary and Next Steps



Summary and Next Steps

Feedback is sought today on the **desirability and design** of a D-5 DSR scheme

An **extra Transmission Workgroup** is planned for **8th December** to

- Further consider any issues raised today
- Further discuss a draft UNC Mod Proposal

Launch of a UNC Mod and DSR Methodology consultation is proposed to be **subject to D-5 expressions of interest** from the current Invitation to Offer, which closes on 9th December 2022