

MODIFICATION 0844

**ENABLING DIRECT CONTRACTUAL ARRANGEMENTS WITH CONSUMERS FOR DEMAND
SIDE RESPONSE**

MODIFICATION 0845

**ENHANCEMENTS TO DEMAND SIDE RESPONSE (DSR) ARRANGEMENTS INCLUDING A D-5
PRODUCT**

Legal text

TRANSPORTATION PRINCIPAL DOCUMENT

SECTION D – OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

Re-position existing paragraphs 5.1.1(c), 5.1.1(d) and 5.3 in a new paragraph 1.5 to read as amended below:

1.5 Demand Side Response

1.5.1 The "DSR Methodology" is the document entitled 'DSR Framework and Methodology Document' prepared by National Gas Transmission in accordance with Special Condition 9.22 of its Gas Transporter Licence and published from time to time on its website;

1.5.2 A "Voluntary DSR Period" is the period:

- (a) starting at the time at which either:
 - (i) a Margins Notice is issued by National Gas Transmission in accordance with Section V5.9.4(b); or
 - (ii) a Gas Balancing Notification is issued by National Gas Transmission in accordance with Section V5.9.7; and
- (b) ending at the earlier to occur of:
 - (i) in a case within paragraph (a)(i), but subject to any intervening case within paragraph (a)(ii), the end of the Day to which the Margins Notice relates;
 - (ii) in a case within paragraph (a)(ii), including where the Gas Balancing Notification was issued during a Voluntary DSR Period within paragraph (a)(i) the issue by National Gas Transmission of a GBN Withdrawal Notice in accordance with Section V5.9.6;
 - (iii) in either case, the declaration by the NEC of Stage 2 of a Gas Deficit Emergency;

- 1.5.3 If directed by the Authority National Gas Transmission will temporarily or permanently cease operation of the DSR Methodology. National Gas Transmission shall issue a notice to Users and the Market Operator (by means of publication on its website and such additional means of communication as National Gas Transmission may determine as appropriate) informing them of such cessation and the date from which it shall take effect (a "**DSR Cessation Notice**").
- 1.5.4 With effect from the date specified in the DSR Cessation Notice and for so long as it remains in effect Trading Participants shall not be permitted to post DSR Market Offers on the Trading System and National Gas Transmission shall not be permitted to accept any DSR Market Offers posted on the Trading System.
- 1.5.5 Where a DSR Cessation Notice is issued it shall remain in force until National Gas Transmission issues a notice withdrawing the DSR Cessation Notice to Users and the Market Operator (by means of publication on its website).

Delete paragraphs 5.1.1(c), 5.1.1(d) and 5.3; and renumber paragraph 5.1.1(e) as 5.1.1(c) and paragraph 5.1.1(f) as 5.1.1(d).

Amend paragraph 5.1.2(a) to read as follows:

- 5.1.2 Subject always to paragraph 5.3.2:
- (a) Trading Participants may only post a DSR Market Offer on the Trading System in respect of a DMC or a DMA Supply Point and the right to post DSR Market Offers shall be suspended during the period following declaration by the NEC of Stage 2 of a Gas Deficit Emergency;
 - (b) ...

Delete all existing text at paragraph 7 and insert new text to read as follows:

7 DSR Options

7.1 General

- 7.1.1 This paragraph 7 sets out the basis on which Users may enter into commitments with National Gas Transmission, and National Gas Transmission may arrange with Consumers to enter into commitments, to provide DSR at specified times.
- 7.1.2 A commitment to provide DSR is a commitment to reduce the offtake of gas at a Supply Meter Point to a specified level if required by National Gas Transmission.
- 7.1.3 In this paragraph 7:
- (a) a "**DSR Participant**" is an eligible User or eligible Consumer that enters or may enter into a commitment as described in paragraph 7.1.1;
 - (b) an "**eligible**" User or Consumer in relation to an eligible Supply Meter Point is:
 - (i) a User that is Registered User of the Supply Meter Point;
 - (ii) the Consumer whose premises are supplied through the Supply Meter Point;

- (c) a "**DSR Option**" is a commitment from a DSR Participant in respect of an eligible Supply Meter Point to provide DSR in a particular Winter Period;
- (d) a "**DSR Option Offer**" is an offer made by a DSR Participant to National Gas Transmission to enter into a DSR Option;
- (e) in respect of a Day (D):
 - (i) a "**Within-Day Option**" is a DSR Option which may be exercised by National Gas Transmission on Day D;
 - (ii) a "**Day-Ahead Option**" is a DSR Option which may be exercised by National Gas Transmission on Day D-1;
 - (iii) a "**5-Day-Ahead Option**" is a DSR Option which may be exercised by National Gas Transmission on Day D-5;
- (f) a "**WD**", "**DA**" or "**D-5**" DSR Option Offer is a DSR Option Offer respectively for a Within-Day Option, a Day-Ahead Option or a 5-Day-Ahead Option (each an "**Option Timeframe**");
- (g) an "**Available Exercise Day**" is a Day in respect of which National Gas Transmission may exercise a DSR Option, in accordance with paragraph 7.7.1;
- (h) the "**Option Start Time**" in relation to an Available Exercise Day is:
 - (i) in relation to a Within-Day Option or Day-Ahead Option, the start of the Voluntary DSR Period in which that Day falls (in whole or part);
 - (ii) in relation to a 5-Day-Ahead Option, the time at which National Gas Transmission issues the notice under paragraph 7.7.2(b);
- (i) an "**Exercise Day**" is an Available Exercise Day in respect of which National Gas Transmission exercises a DSR Option, and an Exercise Day is "**discontinuous**" where the preceding Day was not an Exercise Day in respect of that DSR Option;
- (j) "**exercise**" means the exercise by National Gas Transmission of a DSR Option in accordance with paragraph 7.7.1, 7.8.1 or 7.9.1;
- (k) "**DSR Contract**" means a contract for a DSR Option entered into between National Gas Transmission and an eligible Consumer;
- (l) a "**User DSR Option**" is a DSR Option under which the DSR Participant is a User;
- (m) a "**Consumer DSR Option**" is a DSR Option under which the DSR Participant is a Consumer;
- (n) the "**DSR Reduced Quantity**" in relation to a DSR Option is the reduced level of offtake (as provided in paragraph 7.1.2) expressed as a daily quantity in kWh;
- (o) in relation to a Consumer DSR Option, the "**DSR Reduced Rate**" is a rate of offtake (in kWh/Day) determined as the DSR Reduced Quantity divided by 24;
- (p) in relation to a Within-Day Option:

- (i) the "**DSR Lead Time**" is the period in hours from notice of exercise of the option before the offtake of gas is to be reduced;
 - (ii) where the option is exercised, the "**Exercise Effective Time**" is the time which is the DSR Lead Time after notice of exercise was given;
- (q) a "**qualifying**" Supply Meter Point is:
- (i) for the purposes of a User DSR Option, a Class 1 or Class 2 Supply Meter Point;
 - (ii) for the purposes of a Consumer DSR Option, a Class 1 Supply Meter Point;
- (r) a qualifying Supply Meter Point is "**eligible**" in relation to an Annual DSR Invitation issued in a Gas Year unless the offtake of gas at the Supply Meter Point started after the end of the Winter Period in that Gas Year;
- (s) "**Option Selection Guidance**" means the guidance in the DSR Methodology as to the selection of DSR Options for acceptance.

7.2 Quantities subject to Options

7.2.1 The "**Winter Average Demand**" for a Supply Meter Point in respect of a DSR Option for a Winter Period is calculated as:

$$\sum \text{SMPDQ} / N$$

where:

\sum is the sum over all relevant Days in the preceding Winter Period;

SMPDQ is Supply Meter Point Daily Quantity;

N is the number of relevant Days in the preceding Winter Period;

and where a relevant Day is any Day other than:

- (a) a Day in respect of which a DSR Option was exercised in respect of, or on which (during a Network Gas Supply Emergency) National Gas Transmission required a reduction or discontinuance of the offtake of gas at, the Supply Meter Point;
- (b) a Day before the Day on which offtake of gas at the Supply Meter Point started.

7.2.2 Following (but not before) a DSR Option Invitation, National Grid Transmission will determine, and notify to each DSR Participant whose DSR Option Offer was accepted, the Winter Average Demand:

- (a) for the Winter Period of Gas Year Y, at the time provided in paragraph 7.6.4(b)(ii);
- (b) for the Winter Periods of Gas Years Y+1 and Y+2, by no later than 30 June in Gas Year Y and Gas Year Y+1.

7.2.3 The "**Option Quantity**" in respect of a DSR Option is calculated as:

WAD – DRQ

where:

WAD is the Winter Average Demand for the Supply Meter Point;

DRQ is the DSR Reduced Quantity for the DSR Option.

7.2.4 The "**Available Exercise Quantity**" in respect of a DSR Option and an Available Exercise Day is the quantity determined in accordance with paragraph 7.8.6 or 7.9.3.

7.3 Option Pricing

7.3.1 In respect of a DSR Option:

- (a) the "**Option Price**" is the price (in p/kWh per Day of the relevant Winter Period) payable to a DSR Participant for entering into the DSR Option;
- (b) the "**Daily Option Fee**" is the amount (in £ per Day of the relevant Winter Period) calculated as the Option Price multiplied by the Option Quantity;
- (c) the "**Exercise Price**" is the price (in p/kWh) payable to a DSR Participant in respect of a Day when the DSR Option is exercised.

7.3.2 The Exercise Price may be expressed (at the DSR Participant's election):

- (a) as a fixed amount (in p/kWh);
- (b) as a price to be determined in respect of an Available Exercise Day (D), in the form of the term $(F * SAP)$, where:
 - (i) SAP is the System Average Price on:
 - (A) for a Within-Day Option, Day D-1;
 - (B) for a Day-Ahead Option, Day D-2;
 - (C) for a 5-Day-Ahead Option, Day D-6;
 - (ii) F is a positive number (stated to two decimal places) specified by the User.

7.3.3 In respect of a DSR Option Offer, the "**Combined Price**" is the sum of the Option Price (for one Day) and the Exercise Price.

7.3.4 For the purposes of determining the Combined Price, where the Exercise Price is expressed in the form in paragraph 7.3.2(b), National Gas Transmission will determine a deemed value of SAP as the forward price for gas, for the winter corresponding to the relevant Winter Period, published in the Argus European Natural Gas Report on or most recently before the invitation close date.

7.4 Annual DSR Option Invitation

7.4.1 National Gas Transmission will, no later than 31 August in each Gas Year (Y-1), issue to all Users and publish an invitation (**DSR Option Invitation**) to submit DSR Option Offers in respect of the Winter Periods of Gas Years Y, Y+1 and Y+2.

7.4.2 The DSR Option Invitation will specify:

- (a) the Winter Periods to which it applies;
- (b) the day by which DSR Option Offers may be made ("**invitation close date**"), which shall not be less than 15 Business Days from the date the invitation is issued;
- (c) the form in which a DSR Option Offer must be made;
- (d) such other matters (consistent with this paragraph 7) as National Gas Transmission decides.

7.4.3 In relation to eligible Consumers, the DSR Option Invitation will:

- (a) invite DSR Option Offers on the basis of the prevailing standard form of DSR Contract published by National Gas Transmission;
- (b) specify the basis on which a Consumer submitting a DSR Option Offer is to be bound by that contract;
- (c) require, as a condition of making a DSR Option Offer, that a Consumer that does not meet the credit conditions published by National Gas Transmission for the purposes of this paragraph (c) provide credit support (as provided in those credit conditions and the DSR Contract) in respect of its obligations under the DSR Contract should its offer be accepted.

7.5 DSR Option Offers

7.5.1 A DSR Option Offer shall specify:

- (a) the identity of the DSR Participant submitting the offer;
- (b) the eligible Supply Meter Point in respect of which the offer is made;
- (c) the Winter Period for which the offer is made;
- (d) the DSR Reduced Quantity (in kWh) for which the offer is made;
- (e) the Option Price;
- (f) the Exercise Price (by specifying the value of 'F', in a case where the User elects the form in paragraph 7.3.2(b));
- (g) whether the option is a Within-Day Option, a Day-Ahead Option or a 5-Day-Ahead Option;
- (h) in the case of a Within-Day Option, the DSR Lead Time, which shall not exceed 6 hours.

7.5.2 A DSR Option Offer may specify:

- (a) that the offer is Linked (as provided in paragraph 7.5.3(c)) to another DSR Option Offer;
- (b) a minimum period in Days between Days of non-consecutive exercise ("**Minimum Exercise Interval**");
- (c) a maximum number of Days on which the DSR Option may be exercised in a Winter Period ("**Maximum Exercise Period**").

7.5.3 A DSR Participant may, in respect of a given Supply Meter Point:

- (a) submit DSR Option Offers for any or all of the relevant Winter Periods (but a separate offer must be submitted for each such period);
- (b) submit DSR Option Offers for more than one Option Timeframe, on the basis that (in accordance with paragraph 7.6.2) only one such DSR Option Offer will be accepted;
- (c) specify that two or more such DSR Option Offers are "**Linked**" (in which case none of them may be accepted unless all are).

7.5.4 Any DSR Option Offer which is not submitted in accordance with the requirements of this paragraph 7.5 and the DSR Option Invitation is not compliant and will not be eligible for acceptance.

7.5.5 A DSR Participant may withdraw or modify a DSR Option Offer up to 17:00 hours on the invitation close date but not after that time.

7.6 Selection and acceptance of DSR Option Offers

7.6.1 Following the invitation close date, National Gas Transmission will select compliant DSR Option Offers for acceptance, for each Winter Period separately, as follows:

- (a) National Gas Transmission will rank all DSR Option Offers:
 - (i) in order of Combined Price, lowest price ranked first, subject to paragraph (ii);
 - (ii) National Gas Transmission will adjust the ranking as and to the extent it decides (in accordance with the Option Selection Guidance) is appropriate:
 - (A) to give priority to Within-Day Options over Day-Ahead Options and to Day-Ahead Options over 5-Day-Ahead Options;
 - (B) to reflect the disadvantages of DSR Option Offers with a particular Minimum Exercise Interval and/or a Maximum Exercise Period, and the advantages of DSR Option Offers without those limits;
- (b) National Gas Transmission will exclude from the ranking any DSR Option Offer for the Winter Period of Gas Year Y for which it determines the Option Quantity to be less than 100,000kWh (and any such offer lapses);
- (c) National Gas Transmission shall determine (in accordance with the Option Selection Guidance, and taking account of DSR Options entered into under previous invitations for the same Winter Period) the total amount in respect of Daily Option Fees to be incurred under that DSR Option Invitation for all Days in that Winter Period;

- (d) DSR Option Offers are provisionally selected for acceptance, in the order ranked under paragraph (a), until either:
 - (i) the aggregate of the amounts for all Days in the Winter Period in respect of Daily Option Fees in respect of such offers is equal to the amount decided under paragraph (c); or
 - (ii) all of the DSR Option Offers are selected;
- (e) if, following the provisional selection, any of the provisionally selected DSR Option Offers is Linked to a DSR Option Offer which was not provisionally selected:
 - (i) that DSR Option Offer is eliminated from the ranking;
 - (ii) the selection process in paragraph (d) is repeated;
 - (iii) where necessary, this process under this paragraph (e) will be repeated until there has been a selection round following which this paragraph (e) does not apply;
- (f) in accordance with the Option Selection Guidance, National Gas Transmission will set or adjust the amount referred to in paragraph (c) so that no DSR Option Offer is selected as to part only of the Option Quantity;
- (g) the DSR Option Offers finally selected for acceptance are those selected under paragraph (e) where that paragraph applies, and otherwise those selected under paragraph (d).

7.6.2 Where a DSR Participant submits DSR Option Offers for the same Supply Meter Point for more than one Option Timeframe, selection of one such DSR Option Offer eliminates the others from the ranking.

7.6.3 If both the Consumer and a User submit DSR Option Offers for a Supply Meter Point, or more than one User submits a DSR Option Offer for a Shared Supply Meter Point, National Gas Transmission may (in its discretion) accept neither, or one only, of the DSR Option Offers in respect of the Supply Meter Point.

7.6.4 Following the selection process under paragraph 7.6.1, National Gas Transmission will, within 10 Business Days (but subject to the Option Selection Guidance) after the invitation close date:

- (a) accept the DSR Option Offers finally selected for acceptance;
- (b) notify to each DSR Participant who submitted a DSR Option Offer which was accepted:
 - (i) such acceptance and the DSR Reduced Quantity;
 - (ii) the Winter Average Demand for the Winter Period of Gas Year Y; and
 - (iii) the Option Quantity for the Winter Period of Gas Year Y.
- (c) notify non-acceptance to each DSR Participant who submitted a DSR Option Offer which was not accepted;

- (d) where it has accepted a DSR Option Offer from a Consumer, inform the Registered User of the Supply Meter Point, and (in the case of a LDZ Supply Meter Point) the DN Operator, that it has accepted a DSR Option Offer from the Consumer (but not any details of the resulting Consumer DSR Option).

7.6.5 Upon acceptance by National Gas Transmission of a DSR Option Offer:

- (a) in the case of a User DSR Option, the DSR Option is automatically entered into and comes into force;
- (b) in the case of a Consumer DSR Option, the DSR Option is entered into and comes into force in accordance with what is provided in the DSR Option Invitation pursuant to paragraph 7.4.3(b).

7.6.6 Within 5 Business Days after giving the notifications under paragraph 7.6.4, National Gas Transmission shall publish the outcome of the DSR Option Invitation, specifying for each relevant Winter Period:

- (a) the total Option Quantities offered under all DSR Option Offers;
- (b) the total Option Quantities for which DSR Option Offers were accepted;
- (c) the number of DSR Participants submitting DSR Option Offers;
- (d) the number of Supply Meter Points in respect of which DSR Option Offers were submitted;
- (e) the weighted average Option Price under all accepted DSR Option Offers;
- (f) the lowest and the highest Option Prices for which DSR Option Offers were accepted;
- (g) the lowest and the highest Exercise Prices for which DSR Option Offers were accepted, separately for Exercise Prices:
 - (i) under paragraph 7.3.2(a), and
 - (ii) under paragraph 7.3.2(b);
- (h) the total amount in respect of Daily Option Fees payable in respect of all accepted DSR Option Offers.

7.6.7 If National Gas Transmission accepts a DSR Option Offer for the Winter Period of Gas Year Y+1 or Y+2, and for either of those Winter Periods the Winter Average Demand less the DSR Reduced Quantity under the relevant DSR Option is less than 100,000 kWh:

- (a) National Gas Transmission will so inform the DSR Participant when notifying the Winter Average Demand under paragraph 7.2.2(b);
- (b) that DSR Option shall automatically terminate and be of no further effect.

7.7 DSR Option exercise – general

7.7.1 Where a DSR Option is in force in respect of a Winter Period, subject to paragraph 7.7.3, National Gas Transmission may (in accordance with paragraph 7.8 or 7.9) exercise the option in respect of a Day (D) in the Winter Period:

- (a) in the case of a Within-Day Option or Day-Ahead Option, if Day D is a Day in respect of which a Margins Notice is given or a Gas Balancing Notification is in force;
- (b) in the case of a 5-Day-Ahead Option, if on Day D-5 the condition in paragraph 7.7.2 is met in relation to Day D.

7.7.2 The condition is that:

- (a) National Gas Transmission projects that, for Day D:
 - (i) the threshold in Section V5.9.3(b) will be reached; and
 - (ii) the amount by which Forecast Total System Demand will exceed Expected Available Supply will be not less than 14 MCM; and
- (b) National Gas Transmission issues, no later than 17:00 on D-5, a notice informing all Users of that projection and that it intends to exercise 5-Day-Ahead Options.

7.7.3 National Gas Transmission may not exercise a DSR Option in respect of a Day, and (in the case of a User DSR Option) a User is not required to post a DSR Market Offer in respect of that Day, if:

- (a) the period from (but not including) the last discontinuous Exercise Day to (and including) that Day is less than the Minimum Exercise Interval, where applicable;
- (b) the number of Exercise Days in the Winter Period would (following such exercise) exceed the Maximum Exercise Period, where applicable.

7.7.4 A DSR Participant complies with a DSR Option which is exercised in respect of a Day:

- (a) in the case of a User DSR Option, by posting a DSR Market Offer in accordance with and by the time required under paragraphs 7.8.1 and 7.8.2;
- (b) in the case of a Consumer DSR Option, by reducing the offtake of gas at the Supply Meter Point in accordance with paragraph 7.9.2 and the DSR Contract.

7.7.5 If on any Day or Days (each a **failure** Day) a DSR Participant fails to comply with a DSR Option which is exercised:

- (a) the DSR Participant is liable to pay to National Gas Transmission an amount calculated as follows:

$$\text{DOF} * 1.1 * D * \text{FD} / \text{TD}$$

where (in relation to the relevant DSR Option):

DOF is the Daily Option Fee;

D is the number of Days in the Winter Period

FD is the number of failure Days in the Winter Period;

TD is the total number of Exercise Days in the Winter Period;

- (b) any amount payable by a DSR Participant under paragraph (a) shall be determined by National Gas Transmission and invoiced as soon as practicable following the end of the Winter Period (but, in the case of a User DSR Option, if the User becomes a Discontinuing User, such amount shall then be determined and payable as if the Winter Period ended on the User Discontinuance Date);
- (c) National Gas Transmission shall (when it invoices such amount) send to the DSR Participant a statement of the basis on which such amount has been determined, and if the DSR Participant disputes the determination it shall notify National Gas Transmission promptly and they shall endeavour in good faith to resolve the dispute;
- (d) such amount is an additional Monthly Neutrality Adjustment Revenue, in respect of the month in which it is determined, for the purposes of Section F4.5.3(b)(iv); and any such amount due for payment in a month and unpaid at the end of the second following month shall be counted as an additional Monthly Neutrality Adjustment Cost within Section F4.5.3(a)(ii) and if subsequently paid as an additional Monthly Neutrality Adjustment Revenue within Section F4.5.3(b)(ii).

7.7.6 Where National Gas Transmission exercises a DSR Option, if the Supply Meter Point is a LDZ Supply Meter Point it will notify the relevant DN Operator of the exercise.

7.8 Exercise – User DSR Options

7.8.1 Where a User DSR Option is in force, in relation to any Available Exercise Day:

- (a) in the case of a Within-Day Option or Day-Ahead Option, the User shall, by the time specified in paragraph 7.8.2(a), post a DSR Market Offer (which National Gas Transmission may choose to accept in accordance with Annex D-1);
- (b) in the case of a 5-Day-Ahead Option:
 - (i) National Gas Transmission may exercise the DSR Option by giving notice to the DSR Participant no later than 17:00 on Day D-5;
 - (ii) upon such notice being given:
 - (A) the User shall, by the time specified in paragraph 7.8.2(c), post a DSR Market Offer, and
 - (B) National Gas Transmission must accept the DSR Market Offer in accordance with paragraph 7.8.8(b)

(and for which purposes paragraphs 5.1.2(d) and (e) do not apply).

7.8.2 The specified time in respect of an Available Exercise Day is:

- (a) in the case of a Within-Day Option:

- (i) where the Day is a Day to which a Margins Notice relates, or is in respect of a Day in respect of which a Gas Balancing Notification remains in force, 06:00 on the Day;
 - (ii) where the Day is the Day on which the Gas Balancing Notification is issued, 60 minutes after issue of the Gas Balancing Notification;
- (b) in the case of a Day-Ahead Option:
- (i) where the Day is a Day to which a Margins Notice relates, 60 minutes after issue of the Margins Notice;
 - (ii) where the Day is the Day on which the Gas Balancing Notification is issued, 60 minutes after issue of the Gas Balancing Notification;
 - (iii) where the Day is a Day in respect of which a Gas Balancing Notification remains in force, 09:00 hours on the Day;
- (c) in the case of a 5-Day-Ahead Option, 10:00 hours on Day D-1.

7.8.3 A User is not required to post a DSR Market Offer under a Day-Ahead Option in respect of a Day (D) to which a Margins Notice relates if the Margins Notice is issued after 16:00 hours Day D-1.

7.8.4 Where a User is required to post a DSR Market Offer:

- (a) the DSR Market Offer must comply with paragraphs 7.8.5 and 7.8.6;
- (b) the User may not revise or withdraw the DSR Market Offer under paragraph 4.6 of Annex D-1;
- (c) the User may not, after the Option Start Time:
 - (i) in respect of the first Day for which it is required to post a DSR Market Offer (**first day**), submit a Renomination for an increased Output Nomination Quantity in respect of the Supply Meter Point;
 - (ii) in respect of any subsequent Day for which it is required to post a DSR Market Offer:
 - (A) submit a Nomination for an Output Nomination Quantity which is greater than the Output Nomination Quantity for the first day; or
 - (B) submit a Renomination for an increased Output Nomination Quantity in respect of the Supply Meter Point.

7.8.5 Each DSR Market Offer pursuant to a DSR Option:

- (a) shall be for the relevant Supply Meter Point;
- (b) shall specify the Available Exercise Day as the Market Offer Date;

- (c) shall (subject to paragraph (d)(ii)) be for a quantity that is not less than the Available Exercise Quantity;
- (d) in the case of a Within-Day Option:
 - (i) shall specify as the Market Transaction Lead Time the DSR Lead Time offered under paragraph 7.5.1(h);
 - (ii) may specify that the quantity is to reduce pro rata over each hour of the offer-available period (but at a time on the Day at which the quantity is thereby reduced below 100,000kWh, the DSR Market Offer shall be withdrawn pursuant to paragraph 5.1.2(c));
- (e) in the case of a Day-Ahead Option or a 5-Day-Ahead Option, shall specify a Market Transaction Lead Time such that the Transaction Effective Time is 05:00 hours on D;
- (f) shall be for a Market Offer Price not greater than the Exercise Price (determined, where specified in the DSR Option in the form in paragraph 7.3.2(b), by reference to the value of the term 'SAP' in accordance with paragraph 7.3.2(b)(i));
- (g) shall not be for a Multi-Day Balancing Transaction (as provided in paragraph 4);
- (h) shall not specify that it is only capable of acceptance in full (as provided in paragraph 4.7 of Annex D-1).

7.8.6 The Available Exercise Quantity in respect of a User DSR Option for an Available Exercise Day is determined as follows:

- (a) in the case of a Within-Day Option, $(PNQ - DRQ) * H / 24$
- (b) in the case of a Day-Ahead Option, $(PNQ - DRQ)$
- (c) in the case of a 5-Day-Ahead Option, OQ

where:

PNQ is the prevailing Nomination Quantity for the Day at the Option Start Time;

DRQ is the DSR Reduced Quantity for the DSR Option

H is the number of hours from the Effective Exercise Time until the end of the Day;

OQ is the Option Quantity.

7.8.7 Pursuant to paragraph 7.8.6, and for the avoidance of doubt, if the prevailing Nomination Quantity at the Option Start Time is less than the DSR Reduced Quantity, a DSR Option will not be exercised.

7.8.8 Where National Gas Transmission has exercised a 5-Day-Ahead Option in accordance with paragraph 7.8.1(b):

- (a) the User must, no later than the start of Gas Day D-1, make an Output Nomination (or if it has already made such a nomination, revise it by a Renomination) for Day D for a

Nomination Quantity which is equal to the Winter Average Demand for the Supply Meter Point;

- (b) National Gas Transmission must accept the DSR Market Offer posted pursuant to that option, for the Option Quantity, no later than:
 - (i) subject to paragraph (b), 12:00 on D-1;
 - (ii) in the case of a Non-Trading System Offer, 14:00 on D-1

and following which the User shall submit a Renomination in accordance with paragraph 2.3.

7.8.9 For the purposes of this paragraph 7, National Gas Transmission exercises a User DSR Option:

- (a) in the case of a Within-Day Option or Day-Ahead Option, by accepting the User's DSR Market Offer (in accordance with paragraph 5 of Annex D-1);
- (b) in the case of a 5-Day-Ahead Option, by giving notice of exercise under paragraph 7.8.1(b)(i).

7.8.10 Where a User DSR Option is in force:

- (a) the User's obligation to post DSR Market Offers is subject to the provisions of paragraph 5.1.2(a) and paragraph 4.1(c) of Annex D-1;
- (b) it is noted, for the purposes of paragraph 5.1.2(d), that National Gas Transmission will have seen the DSR Market Offer in the selection process under paragraph 7.6;
- (c) if a DSR Cessation Notice is issued and while it remains in force:
 - (i) the User will not (and is not required to) post DSR Market Offers pursuant to the DSR Option;
 - (ii) Option Fee Instalments continue to be payable to the User.

7.8.11 National Gas Transmission may not accept a DSR Market Offer, posted pursuant to a Day-Ahead Option, later than 17:00 hours on the Preceding Day.

7.8.12 In the case of a Shared Supply Meter Point the User shall only be treated as complying with the requirements of this paragraph 7.8 if in respect of the Exercise Day the sum of the User's, and each other Sharing Registered User's, UDQO is not more than the DSR Reduced Quantity.

7.9 Exercise – Consumer DSR Options

7.9.1 Where a Consumer DSR Option is in force, in relation to any Available Exercise Day, National Gas Transmission may exercise the DSR Option by giving notice to the Consumer, in accordance with the DSR Contract:

- (a) in the case of a Within-Day Option, no later than the time which is the DSR Lead Time before the end of the Day;

- (b) in the case of a Day-Ahead Option, no later than 17:00 hours on Day D-1;
- (c) in the case of a 5-Day-Ahead Option, no later than 17:00 hours on Day D-5.

7.9.2 Where National Gas Transmission exercises a Consumer DSR Option, the DSR Contract will require that the Consumer shall:

- (a) in the case of a Within-Day Option, with effect from the DSR Lead Time after notice of exercise:
 - (i) reduce the rate of offtake on the Exercise Day to the DSR Reduced Rate, or
 - (ii) if the rate of offtake is then less than the DSR Reduced Rate, not increase the rate of offtake above the DSR Reduced Rate;
- (b) in the case of a Day-Ahead Option or 5-Day-Ahead Option, not offtake on the Exercise Day more than the DSR Reduced Quantity.

7.9.3 Where National Gas Transmission exercises a Consumer DSR Option, the Available Exercise Quantity is:

- (a) in the case of a Within-Day Option, the quantity determined as:

$$OQ * H / 24$$

where:

OQ is the Option Quantity;

H is the number of hours from the Exercise Effective Time to the end of the Day;

- (b) in the case of a Day-Ahead Option or 5-Day-Ahead Option, the Option Quantity.

7.9.4 Where the Consumer complies with a Consumer DSR Option which is exercised, National Gas Transmission will pay the Consumer an amount calculated as the Available Exercise Quantity multiplied by the Exercise Price.

7.9.5 Neither the Available Exercise Quantity or the Exercise Price in respect of a Consumer DSR Option are to be taken into account in determining the System Marginal Buy Price or the System Average Price.

7.9.6 Where National Gas Transmission exercises a Consumer DSR Option it will not inform the Registered User of the Supply Meter Point of the exercise;

7.9.7 Where a Consumer DSR Option is in force, if a DSR Cessation Notice is issued and while it remains in force:

- (a) National Gas Transmission will not exercise the Consumer DSR Option;
- (b) Option Fee Instalments continue to be payable to the Consumer.

7.10 Option Fees

7.10.1 Where a DSR Option is in force, National Gas Transmission shall pay Daily Option Fees to the DSR Participant in monthly instalments ("**Option Fee Instalments**") in respect of each month (m) of the relevant Winter Period.

7.10.2 Each monthly Option Fee Instalment is calculated as $(DOF * DM)$, where:

DOF is the Daily Option Fee;

DM is the number of days in the relevant month.

7.10.3 Option Fee Instalments shall be paid:

(a) in the case of a User DSR Option, at the same time as the Invoice Due Date for Energy Balancing Invoices for the relevant month, and are payable in accordance with Section S;

(b) in the case of a Consumer DSR Option, in accordance with the DSR Contract.

7.10.4 The Option Fee Instalments payable to a DSR Participant in respect of a month are additional Monthly Neutrality Adjustment Costs in respect of that month for the purposes of Section F4.5.3(a)(v).

7.10.5 For the avoidance of doubt, Daily Option Fees are not taken account in calculating the System Average Price, the System Marginal Buy Price or the System Marginal Sell Price.

7.11 User DSR Options – further provisions

7.11.1 Subject to paragraphs 7.11.2, 7.11.3 and 7.11.4, a User may not cancel or modify a DSR Option.

7.11.2 Where a User which has entered into a DSR Option ceases to be the Registered User of the relevant Supply Meter Point:

(a) the DSR Option will be terminated with effect from the Supply Meter Point Registration Date (but without prejudice to paragraph (b)), and the User will be entitled to Daily Option Fees accruing due for payment up to, but not on and with effect from, the Supply Meter Point Registration Date;

(b) the User which becomes Registered User may elect, by notice to National Gas Transmission given no later than the Supply Meter Point Registration Date, that it be treated as having entered into the DSR Option (without any variation), in which case:

(i) with effect from the Supply Meter Point Registration Date, that User shall be bound by the DSR Option;

(ii) that User will be entitled to Daily Option Fees accruing due for payment with effect from the Supply Meter Point Registration Date;

(c) where the Supply Meter Point Registration Date is not the first Day of a month, the Option Fee Instalments in respect of that month will be determined for the purposes of paragraphs (a) and (b) respectively according to the number of Days in the month falling before, and on and after, the Supply Meter Point Registration Date.

7.11.3 Where a DSR Option has been entered into, if the Supply Meter Point is Isolated:

- (a) the User shall so notify National Gas Transmission before or as soon as practicable after such Isolation;
- (b) the DSR Option will be terminated with effect from the date of Isolation;
- (c) the User will be entitled to Daily Option Fees accruing due for payment up to, but not on and with effect from, the date of Isolation;
- (d) the subsequent Re-establishment of the Supply Meter Point shall not reinstate the DSR Option (but the Registered User may participate in future DSR Option Invitations).

7.11.4 A User may cancel a DSR Option (originally offered, in an Annual Option Invitation, for the Winter Period in Year Y+1 or Y+2) by notice given to National Gas Transmission not later than 31 July in the Gas Year prior to that Winter Period.

7.12 Consumer DSR Options – further provisions

7.12.1 Each User agrees and accepts that:

- (a) National Gas Transmission may invite and accept DSR Option Offers from Consumers and enter into Consumer DSR Options;
- (b) in exercising a Consumer DSR Option, National Gas Transmission owes no duty to the Registered User or Supplier;
- (c) it is the responsibility of the Registered User of a Supply Meter Point which is subject to a Consumer DSR Option to obtain (or to procure that the Supplier obtains) from the Consumer such information about a Consumer DSR Option or the exercise of such option as they may require.

7.12.2 The terms of a DSR Contract shall be consistent with the provisions (so far as relating to Consumers) of this paragraph 7, and shall not restrict the Consumer from informing the supplier or Registered User about the contract or the exercise of the DSR Option, but otherwise shall be decided by National Gas Transmission.

7.12.3 The DSR Contract will provide for the basis on which a DSR Option may be transferred to another Consumer or terminated (including on the Consumer transferring or otherwise ceasing to occupy the Supply Point Premises or to carry on business) and the consequences for payment of Daily Option Fees.

7.12.4 For the avoidance of doubt nothing in this paragraph 7 creates any rights or obligations binding as between National Gas Transmission and a Consumer; and where this paragraph 7 provides for a requirement or entitlement of a Consumer, the DSR Contract will (pursuant to paragraph 7.12.2) establish that requirement or entitlement.

7.12.5 Amounts paid by National Gas Transmission to a Consumer under paragraph 7.9.4:

- (a) shall be paid in accordance with the DSR Contract;
- (b) are additional Monthly Neutrality Adjustment Costs in respect of the month in which they are payable for the purposes of Section F4.5.3(a)(v).

7.13 Non-Trading System Transactions

- 7.13.1 This paragraph 7.13 only applies for the purposes of allowing Shipper Users who are not Trading Participants to participate in DSR Option Invitations and submit DSR Market Offers pursuant to DSR Options.
- 7.13.2 In this paragraph 7.13 "**NTST System**" means the systems and processes by which Shipper Users who are not Trading Participants and National Gas Transmission may effect Non-Trading System Transactions.
- 7.13.3 For the purposes in paragraph 7.13.1 only, terms defined or otherwise used in this paragraph 7 (and other terms defined in this Section D to which those terms directly or indirectly refer) shall be construed on the basis that:
- (a) in the definition of Market Transaction in paragraph 2.2.1(a) the reference to Trading System includes the NTST System;
 - (b) references to Trading Participants include, in relation to a transaction effected by the NTST System, National Gas Transmission and a Shipper User with access to the NTST System;
 - (c) in the definition of Market Offer in Annex D-1 paragraph 1.2(a), the reference to Trading System includes the NTST System.
- 7.13.4 Pursuant to paragraph 7.13.3 and for the purposes in paragraph 7.13.1:
- (a) references to a Market Transaction include a Non-Trading System Transaction;
 - (b) references to a Market Offer include a Non-Trading System Offer.
- 7.13.5 For the purposes in paragraph 7.13.1, Annex D-1 paragraphs 3.2, 3.3, 4.3, 5.1, 5.2, 5.3, 5.7, 6.1, 6.2 and 6.3 (construed on the basis in paragraph 7.13.3) shall apply in respect of Non-Trading System Transactions and Non-Trading System Offers.

SECTION F – SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

Amend paragraph 1.2.3 as shown below:

- 1.2.3 For the purposes of paragraph 1.2.1(a), (b) and (c) Excluded Locational Actions and Excluded DSR Actions will be excluded in determining the System Marginal Sell Price, the System Marginal Buy Price and the System Average Price.

Amend paragraph 1.2.4 as shown below:

- 1.2.4 For the purposes of paragraph 1.2.3:
- (a) an "**Excluded Locational Action**" is a Market Balancing Buy Action or a Market Balancing Sell Action taken pursuant to Section D1.5 for the purposes of increasing or decreasing gas flows at a System Point for the purposes of avoiding or remedying a Localised Transportation Deficit, Transportation Constraint, Entry Capability Shortfall or Firm Capacity Shortfall;

- (b) an "Excluded DSR Action" is a Marketing Balancing Action taken by way of acceptance of a DSR Market Offer submitted pursuant to a 5-Day-Ahead Option pursuant to Section D7.