



Request 0835R:

Gas DSR Reform 2024/25

5th October 2023



DSR Tender 2023 Update

- The tender closed on Friday 15th September 2023
- We have received more interest in DSR options than last year
- We are currently in the 2 week assessment window and will be issuing acceptance / rejection letters to tenderers by Friday 29th September 2023
- We then have a further week (so by Friday 7th October 2023) to publish our tender report on our [Demand Side Response](#) webpage

DM Gas DSR Reform 2024/25

- A draft scope of work was shared with the September Transmission WG
- UNC Request 0835R is being resurrected to:
 - **Review the 2023 DSR reforms** where either:
 - Stakeholder feedback has been provided
 - We believe that alternative approaches may be preferable
 - Work with industry on **potential new topics**
 - Inform a **further UNC Modification(s)**
- The reforms we ultimately take forward will be informed by a consideration of effort versus likely reward
 - Some are ‘no regret / easy wins’, others will require more development time

Points to Review: Tender Process

- Tender timings
- It is useful for potential tenderers to know the Winter Average Demand (WAD) of a site before offer submission
 - Consider formalising the current process
- Include an ability for tenderers to specify a maximum number of consecutive days that they are willing to be called on
- For a within day option, consider giving tenderers the ability to bid a minimum number of hours that they would be willing to be called for
 - E.g. for a 3 hr leadtime, under current rules, NGT could in theory exercise effective from 0100 to deliver a 1 hour demand reduction between 0400 and 0500
- The Option Quantity for a within day option will never equal the exercise quantity due to some of the day already having passed and lead time – are within-day bids therefore over-valued or do we assume it's priced in?

Points to Review: Tender Process

- If a Consumer considers that its WAD will not be reflective of its demand in the future, should they be able to submit a forecast supported by ‘demonstration information’?
 - If so how could NGT judge it?
 - Should it be subject to post winter evaluation? With what consequence?
- Should Winter Average Demand (WAD) be based on 2 or 3 years of demand history rather than 1?
 - If so, what if that period of history is not available?
- Consider allowing tenderers to offer different exercise prices if DSR is exercised on consecutive days
 - e.g x p/kWh for the first day a site is called, y second day, z 3rd day

Points to Review: DSR Exercise

- Within-day DSR would not be exercisable if the exercisable quantity is below 100,000 kWh
 - Therefore low volume WD day offers are less useful
- Consider whether meter errors / reconciliations might materially impact
 - Winter Average Demand
 - Compliance assessment if a Consumer DSR option is exercised
- The quantity for Shipper D-5 DSR exercise is ‘not less than the Option Quantity’ (UNC TPD D7.8.5 and 7.8.6)
 - Rationale is that if a shipper wanted to offer more then it could
 - In practice NGT will only have the Option Quantity to call on at D-5, therefore should perhaps specify Option Quantity only

Points to Review: DSR Exercise

- Review operational timings for D-1 exercise – particularly in relation to Shipper DSR
 - Consider moving the 17:00 deadline for D-1 exercise back (further into the evening) to give shippers more time to post their DSR Market Offer
 - Would potentially make it less appealing from a consumer perspective if goes outside normal business hours
- Consider use of a more dynamic ‘within current winter’ method to base the ‘starting point’ on instead of WAD for consumer DSR and D-5 shipper DSR
 - E.g. average site demand in the last 7 days prior to exercise
 - How to take account of exit close-out at D+5?

Points to Review: DSR Exercise

- For D-1 Shipper DSR, if a Margins Notice was issued very early in the day, there is a risk that the shipper could not comply with the 'post DSR Market Offer offer within 1 hour' rule if the OCM has not opened for D-1 trading
- Consider a tolerance for Consumer DSR compliance
- Once D-5 has been exercised, should it remain exercised?

Other points to review

- Rules for credit (for Consumer DSR)
 - An alternative could be to withhold x% of the option fee until the end of winter if a Consumer ‘fails’ the credit check
- Review the 110% option payment liability for failure to deliver
- Factor in any macro-level learnings from the 2023 tender about DSR market maturity

Potential new reforms

- Aggregation
- A multi-day DSR product for sites that, once called, want exercise to apply for a few days
 - Balance of consumer need with value to NGT
- A 24 hour DSR exercise from the point at which it is called rather than being tied to a gas day
- Consumer DSR 'exercise only' scheme

Please let us know if you consider there are any issues missing
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High Level Plan

Activity	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
0835R meetings to decide on reform scope	★		★								
Reform scope meetings with consumers and associations	★	★									
Assess likely additional volumes resulting from potential reforms		----->									
Close 0835R			★								
Raise Modification(s)				★							
Mod(s) workgroup meetings					★	★	★				
Consumer engagement					★	★	★				
Mod(s) consultation							----->				
Mod(s) decision										★	
Implementation of reforms into 2024 DSR tender*										----->	
Launch 2024 DSR tender (Options effective from Nov 24)											★
*subject to any systems change requirements											

