

Representation - Draft Modification Report UNC 0822 Reform of Gas Demand Side Response Arrangements

Responses invited by: 5pm on 22 September 2022

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Lauren Jauss
Organisation:	RWE Supply & Trading GmbH
Date of Representation:	22 September 2022
Support or oppose implementation?	Support
Relevant Objective:	a) Positive b) Positive
Relevant Charging Methodology Objective:	Not Applicable

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We support the development and evolution of DSR arrangements which may help alleviate security of supply concerns and to promote the efficient operation of the UK Gas Market.

However, we expect that the majority of voluntary DSR volumes will be made available in the wholesale market, particularly in the On the Day Commodity Market. Electricity generators are unlikely to be able to offer a fixed strike price for gas and instead would require a strike price that is index linked to electricity. Many I&C customers will value the control of their gas consumption volumes very highly, and may not consider bidding unless National Grid indicate they are willing to pay a significant option fee. The bilateral contract structure between Shippers and consumers for voluntary DSR on the wholesale market is likely to be more straightforward to arrange than a back to back contract arrangement with National Grid proposed here.

Nevertheless, we think it is right to explore alternative contract arrangements in an effort to provide any additional gas volumes to market, and these arrangements may suit some Shippers and their customers.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We believe these arrangements should be implemented in time for Shippers to develop agreements with their customers for contracts renewing from 1 Jan 2023.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

None

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Not reviewed

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

Given that there is an option fee payable to Users, National Grid Gas will need to develop an independent verification process to establish whether the accepted option quantity and hence option payment is appropriate and reflective of a User's typical prevailing Output Nomination and hence DSR capability for the relevant period.

Please provide below any additional analysis or information to support your representation

No comment