



Modification 0844: Enabling Direct Contractual Arrangements with Consumers for Demand Side Response

EBCC, 24 May 2023



Modification 0844

- Gas DSR provides a mechanism for large consumers of gas to offer to reduce their demand in return for a payment they define at times of system stress
- Last winter, ‘option and exercise’ arrangements were introduced, funded by Energy Balancing Neutrality
 - Shippers remained NGT’s counterparty
- Feedback from shippers and consumers supported further reform to enable NGT to pre-contract for DSR directly with consumers
- Mod [0844](#) proposes to make the necessary changes to UNC to facilitate this, supported by standard conditions of contract that will be referenced in, but sit outside, UNC
- 0844 is currently in development, aim to issue to consultation in mid-June for implementation Winter 2023/24

Mod 0844 and Balancing Neutrality

- If 0844 (as currently drafted) is implemented, NGT will require the ability to make payments directly to Class 1 consumers that hold DSR options from energy balancing neutrality
 - Option payment to consumer: monthly, on the EBI due date for that month
 - Shippers receive a debit share on their EBI in proportion to throughput
 - Replicates current arrangements with shippers that hold DSR options
 - Exercise payment to consumer: if DSR is exercised, by M+20 days
 - Shippers receive a debit share on their EBI for month M in proportion to throughput

Mod 0844 and Balancing Neutrality

- If DSR is called and the consumer fails to reduce its demand by the required quantity, NGT proposes that it will become liable to repay its option fee with a 10% premium
 - The liability would be scaled based on the number of days on which the option was exercised
- If the associated invoice was unpaid by the due date, it is proposed to mutualise the bad debt and credit shippers if payment is subsequently received
- NGT does not currently propose any credit requirements are satisfied before accepting a DSR option offer from a consumer because:
 - This would be a low likelihood event
 - In most cases consumers would be receiving payments, not making them
- EBCC views are sought on these aspects of Mod 0844

