

Modification 0844 – NGT Response to EBCC Discussion on 24th May 2023

NGT has considered the concerns expressed by EBCC members in relation to the current absence of any securitisation requirement in respect of DSR option arrangements that it may enter into with consumers if Modification 0844 is implemented.

NGT remains of the view that the likelihood of bad debt accruing to energy balancing neutrality in this way is very small due to the chain of events that would need to happen, i.e.

- NGT exercises the consumer held DSR option;
- The consumer fails to reduce its demand to the required level following such exercise; and
- The consumer fails to settle its liability linked to its option payment, thereby breaching the terms of its DSR contract with NGT.

NGT does however recognise the concern held by some shippers that the risk of such a non-payment, however small, would be borne by shippers who are not party to the DSR contract that gives rise to it.

NGT is also keen to balance this risk against its ambition to grow the DSR market and therefore to minimise the administrative and commercial burden on consumers to participate.

Proposed Solution

NGT proposes that Modification 0844 is amended to include the following provisions:

- During NGT's assessment process, NGT will performing a credit check on each consumer whose DSR option offer it proposes to accept;
- If the results of such a credit check indicate that the consumer has insufficient capital to cover 110% of its option payment, NGT will accept the offer on the condition that the consumer provides NGT with security to cover any shortfall (in the form of a Letter of Credit, Parent Company Guarantee or Deed of Deposit) not later than 31 December. (The consumer would be scheduled to receive its first monthly DSR option payment in mid-January)
- If the consumer fails to provide the security by this date then NGT shall terminate the DSR contract in early January and instruct the CDSP not to make any option payments to the consumer.

Phil Hobbins, NGT

26th May 2023