




UNC Workgroup 0835R

Review of Gas Demand Side Response (DSR) Arrangements

7th December 2023



Introduction

- Recent reforms have delivered gas DSR market growth ([DSR Tender Report 2023](#))
 - **Option and exercise** arrangements
 - NGT able to **contract directly** with consumers
 - Introduction of a **D-5 DSR option product**
 - Broadening of **eligibility**
 - Other **process enhancements** based on consumer feedback
 - We propose to continue the DM DSR reform programme ahead of the options tender in Summer 2024 to:
 - Deliver further **process enhancements**
 - Consider **new topics**
-  Informed by an assessment of **effort** versus **likely reward**

DSR Reform Scope 2024

- Our view of what **‘process enhancements’** should be in scope has already been shared:
 - With representatives of industrial consumers on 25th September 2023
 - With the 0835R Workgroup on 5th October 2023 [Presentation link here](#)
- Which **‘potential new topics’** should also be included?
 - These may require more development time and industry input to deliver and therefore require **prioritisation**
- We held a call with industrial consumers to seek their views on 27th November 2023

The purpose of this session is to share these consumer views and seek Workgroup views on which topics to progress and which to leave out of scope

What are the 'potential new topics'?

Aggregation

Multi-gas day
DSR product

A 'next 24 hours'
DSR product

Consumer DSR
'exercise only'
scheme

Class 2
Consumers able
to offer DSR
directly to NGT

Aggregation

Multi-gas day
DSR product

A 'next 24 hours'
DSR product

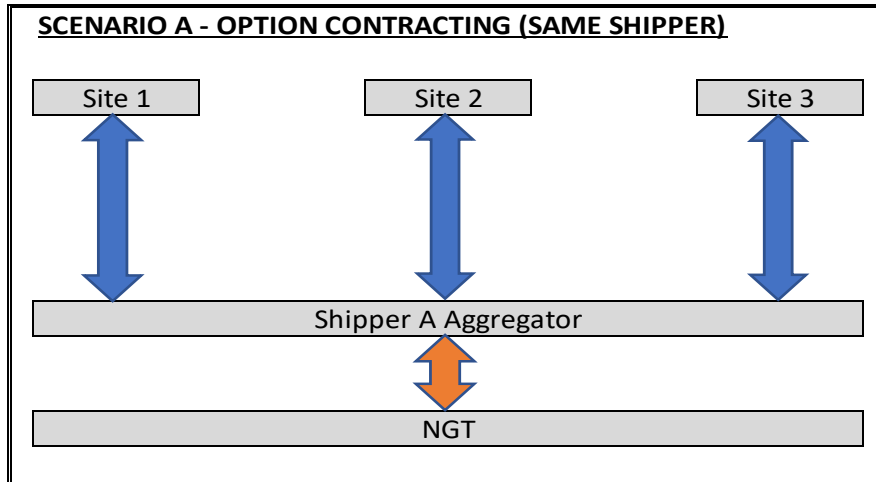
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Aggregation: What is it and how could it work?

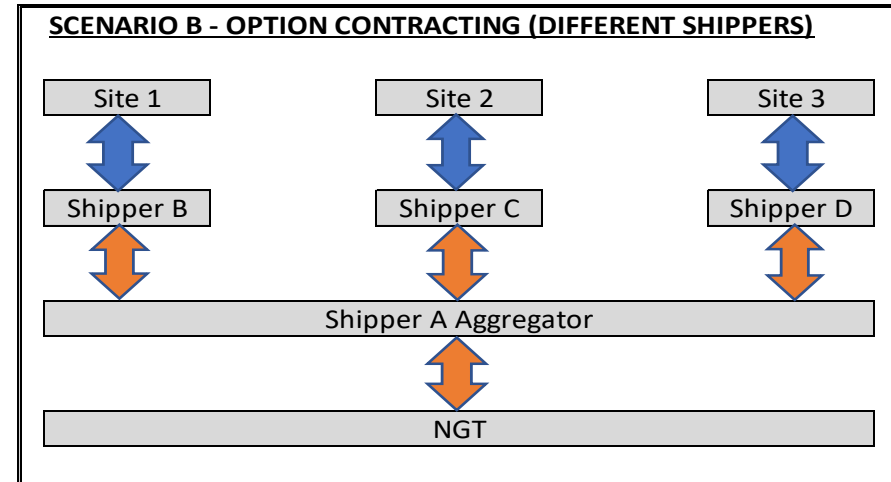
- A mechanism that enables smaller sites to participate in gas DSR that on their own could not offer the minimum 100,000 kWh threshold
- Two or more sites ‘team up’ to offer an aggregate DSR quantity that meets the threshold, facilitated by an ‘aggregator’ (which could be a shipper, other third party or one of the sites themselves)
- The concept has already been successfully deployed in the ESO’s [Demand Flexibility Service](#)

Potential Aggregator Contractual Models



New contractual relationship

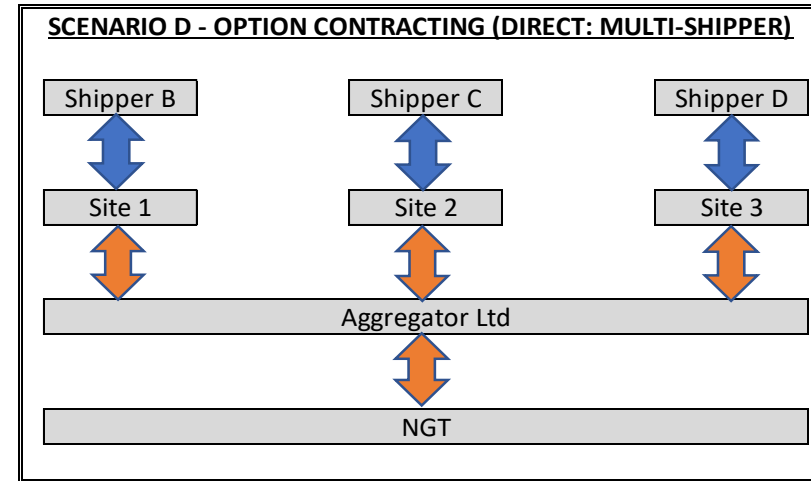
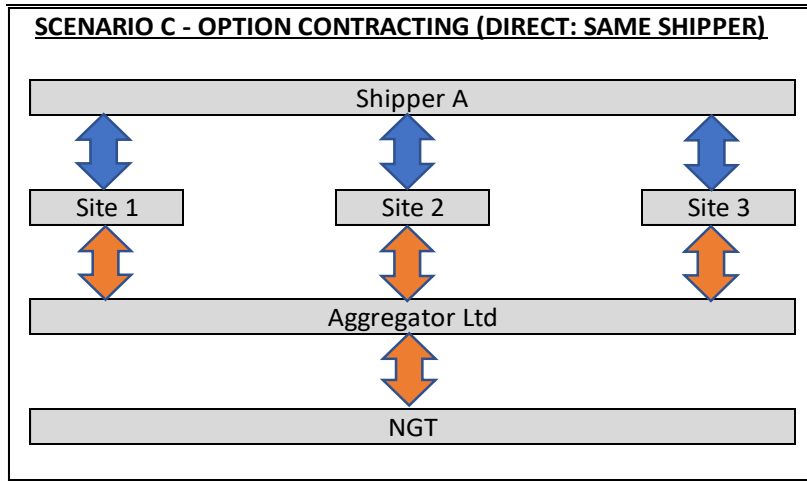
<p>Description</p> <p>Shipper A acts as an Aggregator for Eligible Sites within its own portfolio. NGT contracts with the Aggregator. All communications with NGT are exchanged with the Aggregator.</p>
<p>Pros</p> <p>Existing communication /contractual relationship between Shipper and Eligible Sites.</p>
<p>Cons</p> <p>Limits potential scope of Eligible Sites (i.e. constraint may result in aggregated load below eligibility threshold).</p>



Existing contractual relationship

<p>Description</p> <p>Shipper A acts as an Aggregator for Eligible Sites within other Shippers' portfolios. All communications with NGT are exchanged with the Aggregator. The Aggregator interacts with each of the Shippers who are required to interact with the respective Eligible Sites.</p>
<p>Pros</p> <p>Existing communication /contractual relationship between Shipper and Eligible Sites.</p>
<p>Cons</p> <p>Maintains burden on individual Shippers. Potentially limits the functions of the Aggregator shipper? Information confidentiality may be an issue. Increased number of hand-offs may compromise timely DSR exercise, requires shippers to do more (feedback received to date has suggested reduction of their role).</p>

Potential Aggregator Contractual Models



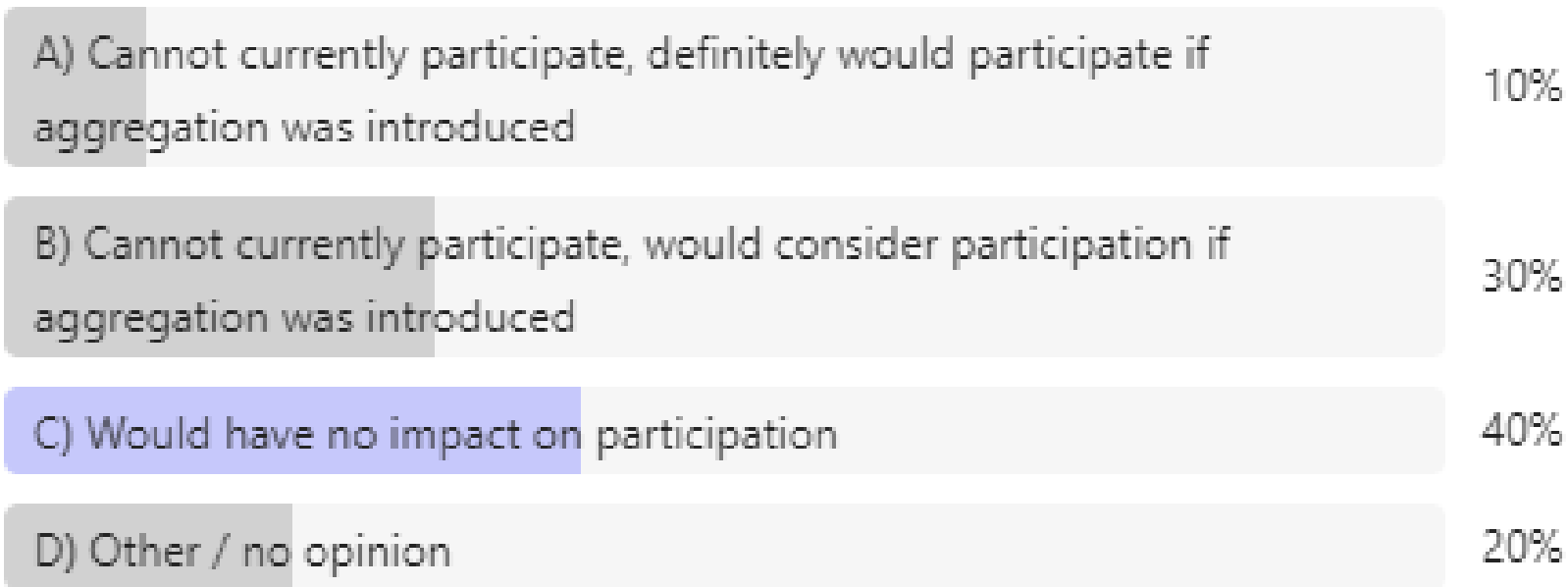
* NGT preferred option

<p>Description</p> <p>A party acts as an Aggregator for eligible sites within a Shipper's portfolio. All communications with NGT are exchanged with the Aggregator. The Aggregator interacts with each of the Eligible Sites who are required to communicate with their Shipper.</p>
<p>Pros</p> <p>Information from sites regarding expected offtake volumes follows existing contractual route. Minimises role of Shipper - onus on set up arrangements on Aggregator creating role value.</p>
<p>Cons</p> <p>Limits potential scope of Eligible Sites (i.e. constraint may result in aggregated load below eligibility threshold). Absence of contractual relationship between Aggregator and Shipper may be of concern to Shipper.</p>

<p>Description</p> <p>A party acts as an Aggregator for Eligible sites within multiple Shippers' portfolios. All communications with NGT are exchanged with the Aggregator. The Aggregator interacts with each of the Eligible Sites who are required to communicate with their respective Shippers.</p>
<p>Pros</p> <p>Information from sites regarding expected offtake volumes follows existing contractual route. Minimises role of Shipper - onus on set up arrangements on Aggregator creating role value. Contractual efficiency - NGT able to access DSR volumes while minimising number of its counterparties (Aggregators).</p>
<p>Cons</p> <p>Absence of contractual relationship between Aggregator and Shipper may be of concern to Shipper. Information confidentiality may be an issue (Aggregator managing data relating to multiple-Shippers' customers).</p>

Aggregation: Industrial Consumer Feedback

Poll 1 - If National Gas introduced aggregation, what impact would it have on your site's (or your sector's) participation in Gas DSR?



Total of
10
responses

Aggregation

Multi-gas day
DSR product

A 'next 24 hours'
DSR product

Consumer DSR
'exercise only'
scheme

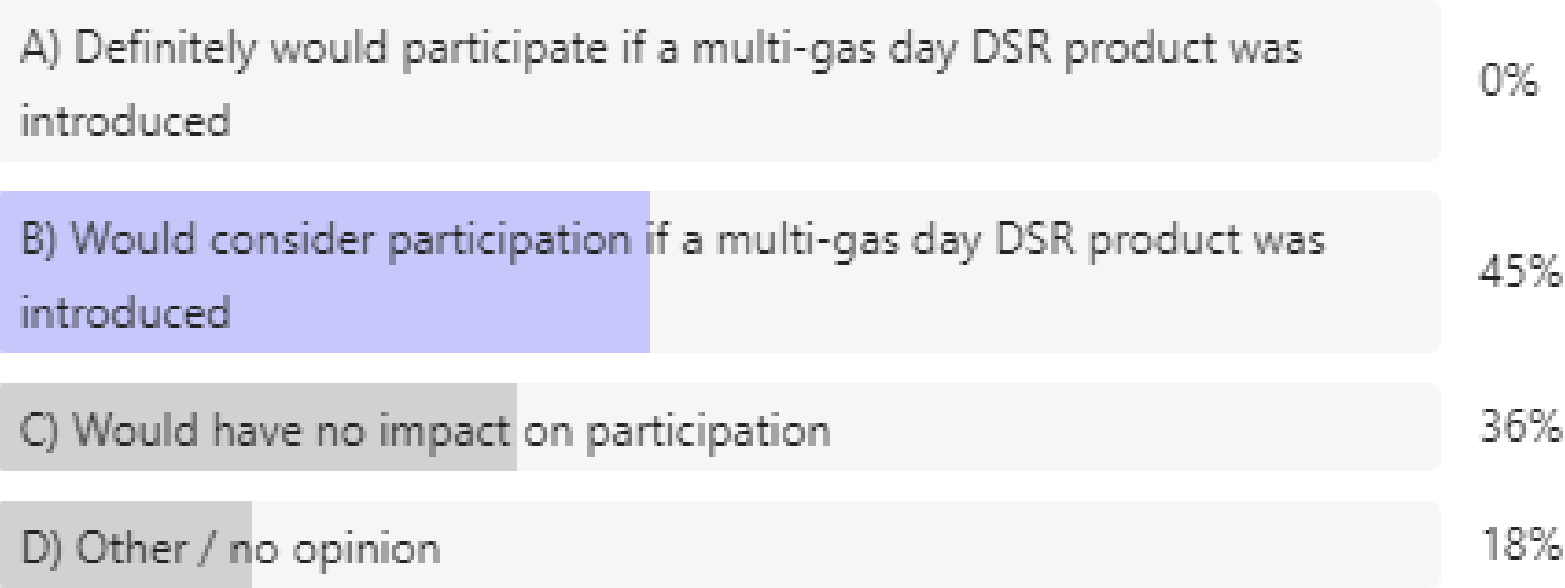
Class 2
Consumers able
to offer DSR
directly to NGT

Multi-day DSR Product: What is it and how could it work?

- There may be some sites that, once called upon to deliver DSR for a day, might then want / need to maintain that reduction for several days
- NGT could therefore potentially offer this as a new DSR product, whereby the consumer offers one or multiple exercise prices for the number of subsequent days it wishes to remain in this state
- There is a downside that we might pay out exercise fees on days when we do not require DSR
- Potential alternatives:
 - Any such consumers that are in this position could price the additional days that they would want / need to remain taking a lower quantity of gas into their option offer for an existing DSR product (this might happen already)
 - NGT enables a consumer to specify in its offer how many days they would reduce for it called on a single day

Multi-gas day DSR Product: Industrial Consumer Feedback

Poll 2 - If National Gas introduced a multi-gas day DSR product, what impact would it have on your site's (or your sector's) participation in Gas DSR?



Total of
11
responses

Aggregation

Multi-gas day
DSR product

A 'next 24 hours'
DSR product

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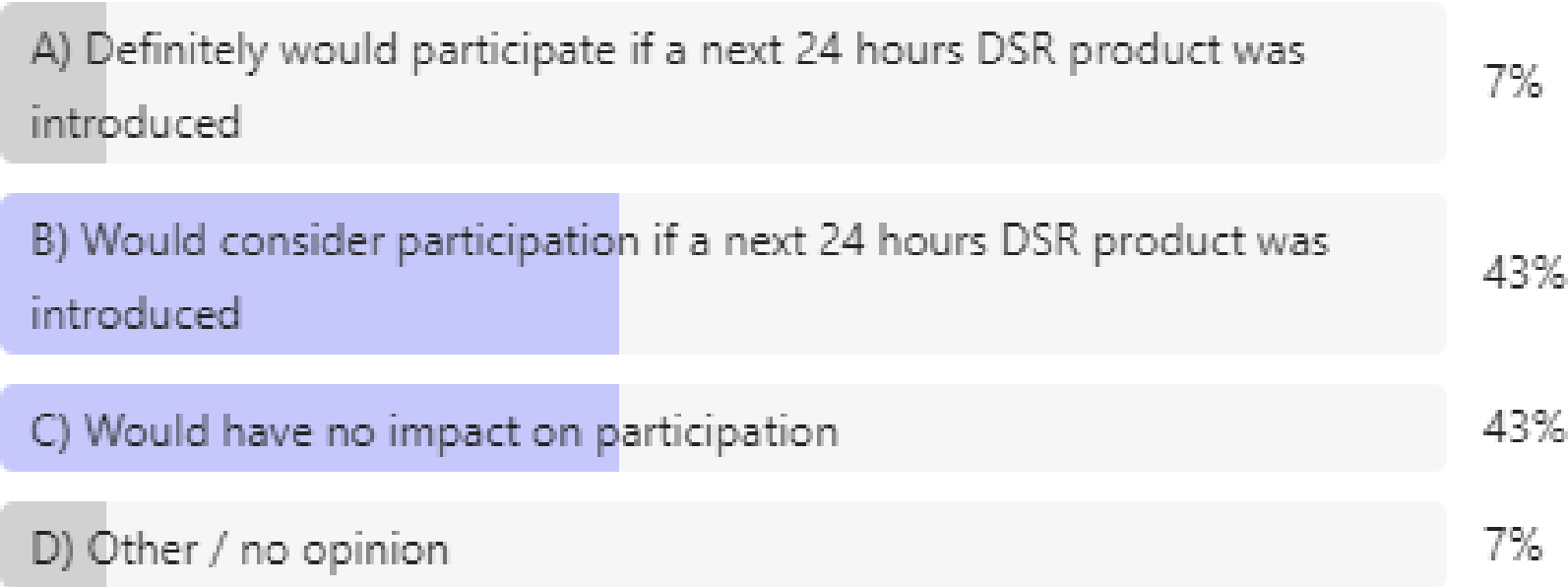
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‘Next 24 hours’ Gas DSR Product: What is it and how could it work?

- At present, if a DSR option is exercised, demand reduction is required for a ‘gas day’ which runs from 05:00 on one calendar day to 04:59 on the next calendar day
- This might be a disincentive for participation if demand reduction has to be physically arranged by the site in the middle of the night
- A new DSR product could be introduced that would oblige the site, if called, to reduce its demand by the tendered quantity over the next 24 hours
- Whilst gas allocations apply for a gas day, compliance could potentially be determined by pro-rating on an hourly basis across the two gas days

'Next 24 hours' Gas DSR Product: Industrial Consumer Feedback

Poll 3 - If National Gas introduced a next 24 hours DSR product, what impact would it have on your site's (or your sector's) participation in Gas DSR?



Total of
14
responses

Aggregation

Multi-gas day
DSR product

A 'next 24 hours'
DSR product

Consumer DSR
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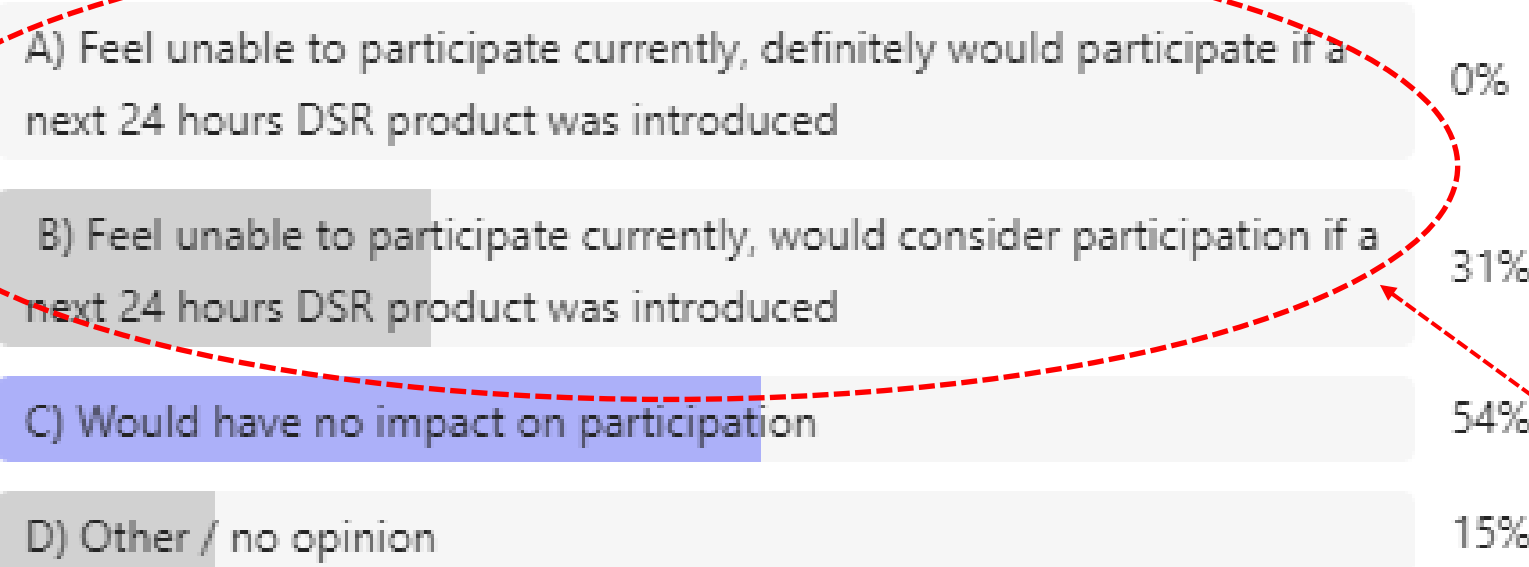
Class 2
Consumers able
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Consumer DSR ‘Exercise Only’ DSR Scheme: What is it and how could it work?

- At present, shippers are able to offer DSR to NGT in respect of a consumer ‘on the day’ via the OCM without a DSR option being in place
- There is currently no mechanism for a consumer to do this directly with NGT
- There may be consumers who feel unable to commit (via a DSR option) to be available for gas DSR across a whole future winter period but may value the possibility of being able to offer DSR ‘on the day’ if production processes allow
- Delivery of this reform might either require:
 - NGT to create a ‘prompt timescale’ process for Consumer DSR; or
 - The Consumer offers a quantity and price ahead of winter which NGT may accept but with no option fee, hence no obligation on the Consumer to deliver it if called

Consumer DSR 'Exercise Only' Scheme: Industrial Consumers Feedback

Poll 4 - If National Gas introduced a Consumer DSR Exercise Only Scheme, what impact would it have on your site's (or your sector's) participation in Gas DSR?



Total of 13 responses

(Error in the Teams Poll display, should reference Consumer DSR Exercise Only Scheme)

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DSR product

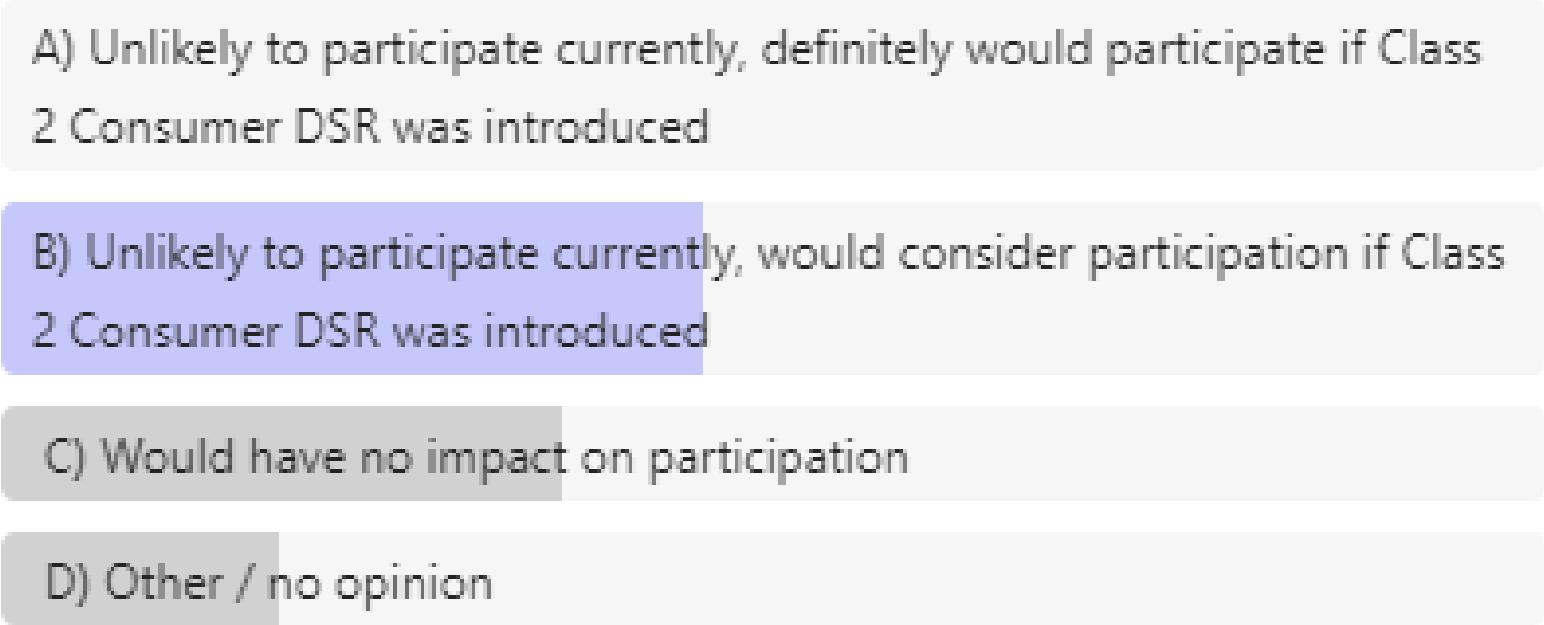
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Class 2 Consumers able to offer DSR directly to NGT: What is it and how could it work?

- At present, only 'Class 1' consumers (mandatory daily metered, AQ > 2m therms pa) are able to offer DSR options directly to NGT
- 'Class 2' consumers (elective daily metered, AQ < 2m therms pa) would have to offer DSR option via their shipper
- Should 'Class 2' consumers be able to offer directly to NGT?

Class 2 Consumers able to offer DSR directly to NGT: Industrial Consumers Feedback



0%

45%

36%

18%

Total of
11
responses

Our current view (for discussion) of whether to include in 2024 reform scope



Aggregation

- Largest % saying would definitely participate
- Enabler for some industrial sectors
- Enabler for NDM DSR, should that come to fruition



Multi-gas day DSR product

- No immediate strong call for this product
- Can already be priced in to an option offer
- Could add an extra field to the tender proforma

Potentially


A 'next 24 hours' DSR product

- Half of consumers polled show some interest
- May extend DSR exercise period beyond when NGT requires it



Consumer DSR 'exercise only' scheme

- Relatively low level of consumer interest in poll
- However, could potentially be implemented into the current tender proforma relatively easily



Class 2 Consumers able to offer DSR directly to NGT

- Almost half of consumers polled showed some interest
- Offers via shippers less likely now that direct contracting is available?
- Expect minimal effort to implement, though could increase NGT notification requirements

Forward 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 'reward' 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)											★

