



UNC Workgroup 0866

Amendments to Gas DSR Arrangements

01 February 2024



DSR High Level Plan 2024

Activity	Process Step	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
UNC Mods	0835R meetings to decide on reform scope	★		★								
	Reform scope meetings with consumers and associations	★	★									
	Assess potential additional DSR volumes from aggregation		----->									
	Close 0835R					★						
	Raise 0866 & 0867				★							
	0866 Workgroup meetings					★	★	★	★			
	0867 Workgroup meetings						★	★	★	★	★	★
	Consumer engagement				★	★	★	★	★	★	★	★
	0866 consultation								----->			
	0866 Panel decision									★		
DSR Methodology	Launch DSR Methodology consultation							★				
	Close DSR Methodology consultation								★			
	Submit DSR methodology consultation report to Ofgem								★			
	Ofgem decision on DSR Methodology changes										★	
Consumer Contract	Launch consultation on Consumer DSR Contract								★			
	Close consultation on Consumer DSR Contract									★		
	Publish Consumer DSR Consultation Report and new version										★	
Options Tender	Implementation of reforms into 2024 DSR tender										----->	
	Launch 2024 DSR tender (Options effective from Nov 24)											★

Modification Summary

Amend the following aspects of the DM DSR process:

- Timings and content of the DSR Options procurement tender process
- The process of exercising a DSR Option
- Enable Class 2 consumers to contract directly with NGT for Gas DSR
- Amend the credit rules for Consumer DSR
- ~~Amend liabilities for failure to deliver when a DSR Option is exercised~~
- Extra Workgroup in March to consider proposed legal text



1st February and 7th March Workgroups

Complete Workgroup Report at April Workgroup and submit to April Panel

Tender Process & Timings

Current Indicative Timings

	July	Aug	Sept	Oct	Nov	Dec
Pre-tender market communication and timetable published		★				
DSR Options tender documentation published		★				
Tender open (15 business days)			→			
Tender closes			★			
NGT evaluation period (10 business days)			→			
Notify tendering parties of outcomes*				★ → ★		
Publish tender outcome (5 business days later)				★ → ★		
Consumer DSR contracts issued for signature				★ → ★		
Consumers sign contracts					★ → ★	
Consumer credit in place (if required)					★ → ★	
DSR options available for exercise (01 Nov 2023 to 30 Apr 2024)						→

* Could be up to 10 days later if the aggregate value of option payments NGT wishes to accept exceeds £36m and hence Ofgem referral is required.

If everything was moved back a month...

	July	Aug	Sept	Oct	Nov	Dec
Pre-tender market communication and timetable published	★					
DSR Options tender documentation published		★				
Tender open (15 business days)		→				
Tender closes		★				
NGT evaluation period (10 business days)		→				
Notify tendering parties of outcomes*			★ → ★			
Publish tender outcome (5 business days later)			★ → ★			
Consumer DSR contracts issued for signature			★ → ★			
Consumers sign contracts				★ → ★		
Consumer credit in place (if required)				★ → ★		
DSR options available for exercise (01 Nov 2023 to 30 Apr 2024)					→	→

* Could be up to 10 days later if the aggregate value of option payments NGT wishes to accept exceeds £36m and hence Ofgem referral is required.

If everything was moved back a month and NGT had a 15 day assessment period...

	July	Aug	Sept	Oct	Nov	Dec
Pre-tender market communication and timetable published	★					
DSR Options tender documentation published		★				
Tender open (15 business days)		→				
Tender closes		★				
NGT evaluation period (15 business days)		→				
Notify tendering parties of outcomes*			★ →			
Publish tender outcome (5 business days later)			★ →			
Consumer DSR contracts issued for signature			★ →			
Consumers sign contracts				★ →		
Consumer credit in place (if required)				★ →		
DSR options available for exercise (01 Nov 2023 to 30 Apr 2024)					→	→

* Could be up to 10 days later if the aggregate value of option payments NGT wishes to accept exceeds £36m and hence Ofgem referral is required.

If everything was moved back a month and NGT had a 20 day assessment period...

	July	Aug	Sept	Oct	Nov	Dec
Pre-tender market communication and timetable published	★					
DSR Options tender documentation published		★				
Tender open (15 business days)						
Tender closes		★				
NGT evaluation period (20 business days)						
Notify tendering parties of outcomes*			★	★		
Publish tender outcome (5 business days later)				★	★	
Consumer DSR contracts issued for signature				★	★	
Consumers sign contracts				★	★	
Consumer credit in place (if required)				★	★	
DSR options available for exercise (01 Nov 2023 to 30 Apr 2024)						

* Could be up to 10 days later if the aggregate value of option payments NGT wishes to accept exceeds £36m and hence Ofgem referral is required.

Tender Content

Proposal for change	Rationale
BR 4: Expand the range of data that NGT is obliged to publish post tender to include number of consumers participating, number that have had DSR Options accepted, <u>from which sectors</u> , weighted average option and exercise prices accepted per DSR product, provided that confidentiality will not be jeopardised	Stakeholder feedback
BR 5: Remove the ability for tenderers to offer for future years (i.e. tender for forthcoming winter only)	No interest in future years has been apparent in either of the first two tenders. Simplifies tender process.
BR 6: Replace the ability for tenderers to specify a maximum number of days in a Winter Period that a DSR Option may be exercised with a maximum number of <u>consecutive</u> days <u>(or part thereof)</u> of exercise	Based on consumer feedback
BR 7: For a within-day option, enable tenderers to specify a minimum number of hours that the exercise of that option may apply to	If a within day option were exercised late in the gas day, a consumer may be asked to respond at an unsocial hour to deliver a relatively small demand reduction

Other Proposals for Change

Proposal for change	Rationale
<p>BR 8: Increase the minimum Option Quantity for a within-day option from 100,000 kWh to 200,000 kWh <u>or if Option Quantity - (Option Quantity / 24 * lead-time) < 100,000 kWh then offer is invalid</u></p>	<p>Half of the gas day could well have passed by the time demand reduction is implemented due to the within day nature plus a lead-time of up to 6 hours</p>
<p>BR 9</p> <ul style="list-style-type: none">• Determination of a consumer's Winter Average Demand (WAD) shall be equal to the average daily demand over the past 3 Winter Periods.• If the average for any one Winter Period differs from the 3 year average by more than [20%] then that Winter Period shall be excluded from the calculation• <u>If the average for each of the 3 Winter Periods differs from the 3 year average by more than [20%] or</u> if 3 year's worth of historical demand data is not available then the WAD shall be equal to the average of the most recent Winter Period / the history that is available	<p>Seeks to address consumer feedback that the previous winter's average daily demand may not be an a reliable predictor of demand for the forthcoming winter.</p>

Other Proposals for Change

Proposal for change	Rationale
<p>BR10. If a Consumer considers that its WAD will not be reflective of future demand, it may submit a forecast. In this case, option fee instalments for the months of <u>Feb, Mar and Apr shall be held back pending post winter assessment. These option fee instalments shall only be paid if actual WAD was less than [105]% of the consumer's forecast</u></p>	<p>If there has been a material change to the consumer's consumption, this may mean that historical demand is not expected to be a reliable guide to the future.</p>
<p>BR 11. For Shipper DSR, if a site changes shipper and the new Shipper wants to take on a DSR Option, permit a 10 day period post the registration date for this to happen and the new shipper to confirm this to NGT (amendment to TPD D7.11.2)</p>	<p>Shipper feedback that it may be impractical for the new shipper to give notice to NGT on or prior to the Supply Meter Point Registration Date</p>
<p>BR 12: For D-5 Shipper DSR, amend the quantity that NGT may exercise to be equal to the Option Quantity instead of "not less than the Option Quantity"</p>	<p>To reflect the operational reality</p>

Red underlined text is new (not currently in the Mod)

Other Proposals for Change

Proposal for change	Rationale
BR 13: Class 2 consumers permitted to contract directly with NGT	Consumer feedback plus 2023 tender suggests direct contracting is the preferred route than via shipper, this should therefore enable a growth in participation
BR 14: Base the 'starting point' for exercise of Consumer DSR (and D-5 Shipper DSR) on average site demand for the past 7 days rather than WAD	Expect this to be a more accurate reflection of actual demand reduction.
BR 15: A tolerance of 2% <u>[or a sliding scale % based on offered volumes?]</u> shall be permitted on the DSR Reduced Quantity when assessing compliance of a consumer with an exercise instruction	Consumer feedback. To avoid the position that a consumer that exceeds its DSR Reduced Quantity by a very small quantity would be judged to have failed to deliver
BR 16: For Consumer DSR, where a Consumer fails the credit check, it may elect to have 50% of its Option Fee held back until post winter instead of having to put credit in place. The option fee balance will only be paid post winter if the Consumer has had no instances of failure to deliver if exercised or no exercise has been called	Consumers indicated that the potential need to put credit in place may be a barrier to their participation

