



UNC 0867: Gas Demand Side Response (DSR) Aggregation Arrangements

Workgroup 1

7 March 2024



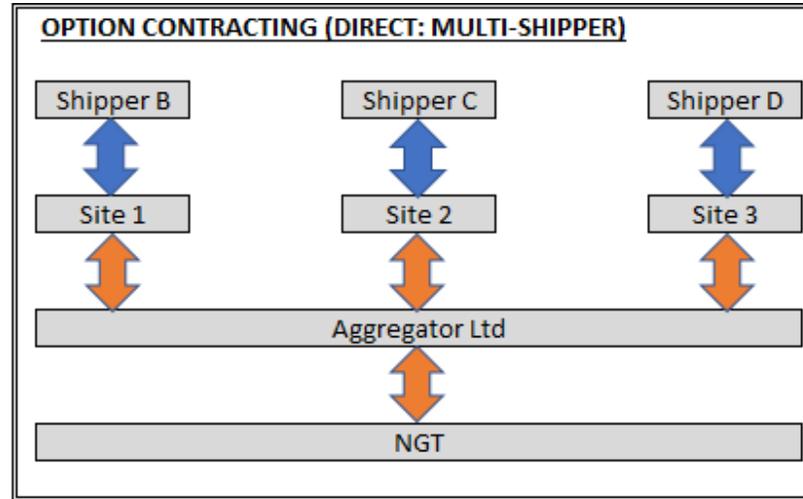
Why change?

- Despite recent reforms, engagements with Consumers, Trade Associations and Users has confirmed that there are **still some consumers who wish to participate in DSR that cannot.**
- **DSR Market is still immature** and NGT wish to **grow the market further** to enhance our pre-emergency tools and **improve our energy resilience**
 - 2023 DSR tender yielded 0.6 mcm/d of reduction from consumers
- We are proposing to introduce a **new “aggregator” role** into the DSR market to **increase participation and the available volume**

Proposed Solution

- Introduce a **new aggregator role and term** (could be an existing party within the market or a new entrant) who can group DSR reduction quantities into a portfolio or Class 1 and 2 Non-Domestic Consumers and offer it to NGT in the form of a DSR Reduction Quantity;
- Introduce the ability for NGT to:
 - **accept DSR Option Offers** placed by aggregators in the annual DSR Options tender;
 - **instruct aggregators to reduce consumption** by their contracted quantity in the event of DSR exercise triggers being met;
 - **issue payments (exercise and option) and penalty charges to aggregators** via the CDSP;
- Introduction of **standard conditions of contract between NGT and the aggregator** whose option offer was accepted during the annual DSR tender process; and
- Amend the current arrangements whereby Direct Consumers and Shipper DSR option and exercise payments are **funded via Energy Balancing Neutrality** to include payments made to, and charges demanded from, aggregators.

Proposed Contract Model



- The above diagram provides an overview of the proposed contract model.
- Blue arrows represent existing contractual relationships and orange represent new contractual relationships.
- The Consumers that the aggregator contracts with do not have to have the same registered Shipper or Supplier

Supporting Work

- NGT is **engaging with entities** who may be willing to participate in the proposed regime **as an ‘Aggregator’**
 - Aggregators already active in electricity DFS scheme
- NGT is **engaging with consumer groups** to seek to understand levels of potential **additional DSR quantities** that may be available if the Aggregator role were introduced
 - Critical to understand the additional DSR quantities that could be delivered via aggregation
 - Quantification of benefit

Timeline

- **March – September 2024:** Workgroup Development
- **September – October 2024:** Consultation
- **Q4 2024:** Modification Panel recommendation whether to implement
- **Q4 2024 / Q1 2025:** Ofgem decision
- **Summer 2025:** Earliest DSR tender to include Aggregation arrangements (for Winter 2025/26) – if Ofgem approve Modification Proposal

Thank you

