

DSC Change Proposal Document

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A1: General Details

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| Change Reference: | XRN 5771 | | |
| Change Title: | Amendments to Demand Side Response (DSR) Arrangements (Modification 0866) | | |
| Date Raised: | 26/03/2024 | | |
| Sponsor Representative Details: | Organisation: | National Gas Transmission | |
| | Name: | Phil Hobbins | |
| | Email: | Philip.hobbins@nationalgas.com | |
| | Telephone: | N/A | |
| Xoserve Representative Details: | Name: | Josie Lewis | |
| | Email: | uklink@xoserve.com | |
| | Telephone: | +44 121 229 2614 | |
| | Business Owner: | Expected to be Invoicing and Credit Risk and Neutrality teams | |
| Change Status: | <input type="checkbox"/> Proposal | <input checked="" type="checkbox"/> With DSG | <input type="checkbox"/> Out for Review |
| | <input type="checkbox"/> Voting | <input type="checkbox"/> Approved | <input type="checkbox"/> Rejected |

A2: Impacted Parties

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| Customer Class(es): | <input checked="" type="checkbox"/> Shipper | <input checked="" type="checkbox"/> Distribution Network Operator |
| | <input checked="" type="checkbox"/> NG Transmission | <input checked="" type="checkbox"/> IGT |
| | <input type="checkbox"/> All | <input checked="" type="checkbox"/> Other <Consumers> |
| Justification for Customer Class(es) selection | <p>NGT are an impacted party as they manage the Demand Side Response (DSR) process.</p> <p>DNOs and IGTs have been identified as impacted, for awareness as sites within their network can utilise this process. To confirm, at the point of raising this CP, an IGT equivalent Modification has not been raised and therefore the only Modification reference is for the UNC.</p> <p>Shippers have also been identified, as they may submit DSR Option Offers and the impacted Registered User would need to be informed of any DSR exercise instruction given directly to a consumer by NGT in sufficient time to make the appropriate actions to reduce its Output</p> | |

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| | <p>Nomination / Renomination for the Consumer and potentially adjust its gas procurement and Input Nominations.</p> <p>Consumers (end users) have been identified as one of the primary user groups who are impacted by the proposals. Currently NGT do not have a contractual relationship for DSR products with Class 2 Consumers, however, if UNC 0866 is implemented, NGT will be able to form these contractual relationships.</p> |
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A3: Proposer Requirements / Final (redlined) Change

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| <p>Problem Statement:</p> | <p>Extract from Modification 0866 'Why' section:</p> <p><i>Request Group 0835R has identified a number of areas in the DSR regime that, if reformed, could result in more participation from consumers in DSR arrangements and the deployment of DSR at times of national gas supply shortage being more effective. This Modification is being raised as a 'successor' Modification to that Request Group's considerations.</i></p> |
| <p>Change Description:</p> | <p>Modification 0866 has been raised to introduce further enhancements to Gas DSR arrangements for daily metered consumers following experience of recent reforms and based on consumer feedback. The Modification proposes that DSR arrangements for daily metered Consumers will be reformed in the following areas:</p> <ul style="list-style-type: none"> • The timings and content of the DSR Options procurement tender process. • How the process of exercise of a DSR Option works, including how the 'starting point' for demand reduction is determined. • Enable Class 2 Consumers to contract directly with NGT for DSR Options; and • Amend the credit rules for Consumer DSR. <p>This proposal has the potential to increase the level of participation in the gas DSR Options process. This in turn will further enhance the suite of pre-emergency tools NGT can call upon in the event of a forecast supply shortage.</p> <p>Summarised below are the processes that NGT require from the CDSP in order to support this change if Mod 0866 is implemented. These processes are in place currently as part of Modification 0844. There will be minor amendments to the existing process to accommodate 0866. The existing steps in the process have been provided below for reference but the main changes as a result of 0866 are:</p> <ul style="list-style-type: none"> • Ability to directly issue credit invoices (and potentially debit invoices) to Class 2 consumers for DSR arrangements. • Additional data to be provided to NGT to support the updated arrangements. |

This Change Proposal has been raised to support the delivery of Modification 0866. The existing process which will continue as a result of Modification 0844 has been captured below:

1. Data Provision

Data will be requested by NGT to assess offers and exercised options. Please note data is already provided under existing DSR arrangements therefore any additions to existing data requests will need to be assessed.

2. Invoicing Processes

- NGT will notify the CDSP of invoice totals and recipients, the CDSP is requested to raise the relevant Option payments to move funds from the Neutrality account to pay Shippers or consumers that have had DSR option offers accepted by NGT.
- If the number of consumers required to be invoiced including all existing customers under DRS changes exceeds 30, there will be a requirement to review the proposed arrangements.

3. Option Payments

- NGT will provide a schedule of monthly options payments to the CDSP that are to be made to each relevant Shipper and consumer in respect of each month in the Winter Period.
- The CDSP shall issue credit invoices to each relevant consumer, on the day on which Energy Balancing Invoices (EBI) for the relevant month become due for payment (12 calendar days after M+23).
- The CDSP shall apportion the aggregate value of DSR options payments that are to be made to consumers in respect of each month such that each shipper's EBI contains a sum to be paid to fund such option payments in proportion to each shipper's UDQIs and UDQOs

4. Exercise payments

- If NGT exercises any directly contracted DSR options, they will notify the CDSP of each Shipper or consumer which require payment and the cost of the exercised option in respect of any month in the Winter Period within M+8 calendar days.
- The CDSP shall then arrange for credits to be issued to the relevant Shipper or consumers, funded from the Balancing Neutrality account, by M+20 calendar days
- The CDSP shall apportion the aggregate value of DSR exercise payments that are to be made to consumers in respect of each month such that each shipper's EBI contains a sum to be paid to fund such exercise payments in proportion to each shipper's UDQIs and UDQOs

5. Liability Payments

- If a Shipper or consumer fails to reduce its gas demand to the required level when an option is exercised by NGT, it will incur a liability calculated by reference to its option fee.
- NGT shall determine whether any Shipper or consumer has incurred a liability payment as soon as is reasonably practicable following the end of a Winter Period and where such liabilities have been incurred, shall notify the CDSP accordingly.
- The CDSP shall issue an invoice to the relevant Shipper or consumer requesting payment of the liability into the Balancing Neutrality account within 12 calendar days.
- The CDSP would also be responsible for cash collection. If the invoice is unpaid by the due date, it shall contact the consumer to pursue the payment. It is envisaged that if payment is not made within a further 12 days, the CDSP shall notify NGT and NGT shall have a right to terminate its contract with the consumer.

For the avoidance of doubt: Where such a liability is incurred and an associated charge remains unpaid by the consumer, the relevant sum shall be mutualised among all Users in accordance with the existing CDSP process for managing balancing neutrality bad debt. Should such payment later be recovered, Users would receive the appropriate balancing neutrality credits.

It is noted that NGT will need to provide the CDSP with the contact details and bank details of each consumer that has a DSR option offer accepted and will therefore need consent to do so within the NGT-consumer standard contract.

Enhancements to CDSP processes to deliver Mod 0866 are as follows:

- Ahead of each DSR Option Invitation tender, the CDSP currently provides NGT with a list of all Class 1 and Class 2 Consumers and their Winter Average Demand, determined by reference to the previous Winter Period only. NGT will require this activity to continue, however if Modification 0866 is implemented, NGT would require the CDSP to provide this report based on a 3 year Winter Period demand history.
- Where an option payment(s) or part thereof is held back by NGT, either because the relevant Consumer wishes its Option payment to be based on a forecast of its daily demand (rather than historical average daily demand) or fails NGT credit check and wishes to receive its option payment as a lump sum post winter rather than put credit support in place, NGT would give this instruction to the CDSP in respect of the relevant Consumer(s) to the CDSP as part of its monthly payment schedule. Following NGT's validations post winter specified in Mod

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| | <p>0866, NGT would then instruct the CDSP to either make payment of the outstanding balance of the option fee that is due (or not due as the case may be) which the CDSP would then discharge, with each relevant User's share of such sum being processed on its Energy Balancing Invoice in respect of the month within which NGT made its determination.</p> <ul style="list-style-type: none"> Where a Consumer fails the NGT credit check and wishes to receive its option payment as a lump sum post winter, NGT would request the CDSP to provide the mean average daily demand in respect of the relevant Consumer as soon as possible after the relevant Winter Period. | |
| Proposed Release: | Ad hoc – in line with Modification 0866 implementation | |
| Proposed Consultation Period: | <input type="checkbox"/> 10 Working Days | <input type="checkbox"/> 15 Working Days |
| | <input type="checkbox"/> 20 Working Days | <input type="checkbox"/> Other [Specify Here] |

A4: Benefits and Justification

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| Benefit Description: | <p>Extract from 'Why' Section of Modification 0866:</p> <p><i>If reformed (the DSR regime), could result in more participation from consumers in DSR arrangements and the deployment of DSR at times of national gas supply shortage being more effective.</i></p> |
| | <p><i>What, if any, are the tangible benefits of introducing this change? What, if any, are the intangible benefits of introducing this change?</i></p> |
| Benefit Realisation: | <p>Upon implementation of Modification 0866 and the DSR market opening</p> |
| | <p><i>When are the benefits of the change likely to be realised?</i></p> |
| Benefit Dependencies: | <p>Approval of Modification 0866 - Amendments to Demand Side Response (DSR) Arrangements</p> |
| | <p><i>Please detail any dependencies that would be outside the scope of the change, this could be reliance on another delivery, reliance on some other event that the projects has not got direct control of.</i></p> |

A5: Final Delivery Sub-Group (DSG) Recommendations – Removed

(see Section C for DSG recommendations)

A6: Service Lines and Funding

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| Service Line(s) Impacted - New or existing | An amendment to existing Service Line(s) are anticipated to be required as a result of this Modification. These Service Line(s) will be confirmed during the DSC change process. |
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| | The Service Area the existing DSR Service Line(s) are under is Service Area 8 – Energy Balancing (Credit Risk Management) which is currently 100% National Gas Transmission funded as per the Budget and Charging Methodology. | | |
| Level of Impact | Minor | | |
| If None please give justification | N/A | | |
| Impacts on UK Link Manual/ Data Permissions Matrix | TBC – data will be provided to NGT as a result of this change; however, it is not currently anticipated to result in changes to the DPM. This will be confirmed during design. | | |
| Level of Impact | TBC | | |
| If None please give justification | N/A | | |
| Funding Classes : | Customer Classes/ Funding | Delivery of Change | On-going Budget Amendment |
| | <input type="checkbox"/> Shipper | XX % | XX % |
| | <input checked="" type="checkbox"/> National Gas Transmission | 100 % | XX % |
| | <input type="checkbox"/> Distribution Network Operator | XX% | XX % |
| | <input type="checkbox"/> IGT | XX % | XX % |
| | <input type="checkbox"/> Other <please specify> | XX % | XX % |
| ROM or funding details: | N/A | | |
| Funding Comments: | To ensure delivery in line with the requirements of the Modification and based on expected relatively low volumes, it is anticipated that the solution will utilise existing processes and resource. This is dependent on the volume of Consumers tendering in the DSR process and will be assessed and re-evaluated throughout the process | | |

Please send the completed forms to: uklink@xserve.com

Version Control

Document

| Version | Status | Date | Author(s) | Remarks |
|---------|--------|------------|-------------|---------|
| V1.0 | Draft | 22/03/2024 | Josie Lewis | |

