

DSR Framework and Methodology Consultation

Representation Pro-forma







(Close-out date for representations 23 January 2015)

Date: 22/01/15

Organisation: British Gas Trading Limited

Is this response Confidential? NO

This document has been provided to facilitate your response to the DSR Framework and Methodology Consultation. In order to help draw your attention to the consultation questions that may be most relevant to you, we have colour coded the questions which may have greater relevance to you and your organisation. Please note that this is just a guide and we would welcome responses to all questions provided. The colour coding used is as follows:

-  Eligible Gas Consumer (Gas Consumption Annual Quantity (AQ) greater than 2 Million Therms)
-  Licenced Gas Shipper
-  Licenced Gas Supplier
-  User Group Representative (i.e. Energy UK, MEUC, EIUG etc.)
-  Licenced Gas Transporter
-  Other, if you believe you are none of the above then please give further details below:

Your Details: Gas Shipper

Consultation Questions

Q1: Do you consider that the DSR Framework and Methodology should set out provisions for the gas procurement arrangements between National Grid and Shippers, with only high level references to the Demand Side Response contractual arrangements between Shippers/Suppliers and Gas Consumers?



It would be inappropriate and not possible for National Grid to seek to prescribe or influence contractual terms between shippers/suppliers and gas consumers. It is therefore important that the DSR Framework and Methodology should focus on possible arrangements between National Grid and shippers that might be enforceable via modifications to the Uniform Network Code. Any reference to arrangements between gas shippers, suppliers and consumers should be for guidance/ information purposes only.

Q2: Do you consider that the current On the Day Commodity Market (OCM) provides an appropriate platform to facilitate the provision of a DSR Product?



There are advantages and disadvantages to using the OCM for the provision of the DSR Product. Probably the main disadvantage is the potential lack of visibility to National Grid of the bid information until a Gas Deficit Warning is issued. This might make it difficult for National Grid to monitor and assess the industry take up of the DSR product. However, a key (and probably over-riding) advantage is the likely low cost of using currently available facilities.

Q3: Does the proposed DSR Product meet your expectations in respect of providing sufficient market offer flexibility to match your operational requirements when determining and offering DSR? If not, which aspect(s) would you change, add or remove?



The DSR product provides for a reasonable level of flexibility – bids for each day in the week can be made so as to allow for daily variations in the quantities of gas being offered (likely to be of particular importance to accommodate weekend effects) or can be made so as to take effect for multiple days if accepted (of importance to consumers who cannot readily re-start their

consumption of gas following a cessation). The products should help to limit daily interaction between shippers, suppliers and consumers because they to some extent remove the possible need for daily revisions to bids (which would probably be required had the weekly profile option not been devised). This should help to keep shipper/supplier administration costs down.

Q4: Do the criteria and arrangements set out within the Framework and Methodology for the posting and processing of DSR Offers meet your requirements? If not, could you describe the new issues you would like to be considered?



The criteria and arrangements appear reasonable to us.

Q5: In respect of the development of the DSR Framework and Methodology, do you consider that you have been given sufficient opportunity to provide your input into the development of the DSR Framework and Methodology? Have we listened and taken account of your views?



Yes, we have actively participated in the development of the DSR Framework and Methodology and National Grid have been responsive to the views of us and other participants.

Q6: Do you consider that the Draft DSR Framework and Methodology, the proposed DSR Mechanism and the suggested Shipper/Supplier to Gas Consumer service agreement structure delivers an efficient and economic approach, through which Gas Consumers may provide DSR, that may otherwise not be available during periods of acute gas market stress?



Arguably, consumers can currently contract with their suppliers (and, in turn, suppliers with their shippers) to make demand-side gas reductions available to the market. However, the DSR Framework and Methodology might provide greater confidence to consumers that demand

side reductions will only be invoked by National Grid and only for the purposes for which they are actually required. This might encourage take-up by consumers. At the same time a balance has to be struck between offering new products and the cost of introducing them. So, whilst more flexible products (than those being offered) might seem desirable by consumers this has to be weighed against the cost of making these products available. We believe that the expected low-cost approach of the current proposals is sensible and will provide a proper balance between flexibility of product and the cost of implementation.

Q7: Do you consider that the proposed DSR Framework and Methodology appropriately meets the requirements set out in the gas Transporters Licence principles, i.e. that only signatories to the Uniform Network Code may post a DSR Offer? If not, please detail how you feel this SC8I.4 (a) licence obligation may be better achieved?

The DSR Framework and Methodology correctly identifies the relevant contractual relationships for the posting of DSR Offers. Furthermore, it does not try to impose, or seek to impose, any limitations or requirements with regard to contractual arrangements between shippers and suppliers or between suppliers and consumers.

Q8: Do you consider that the proposed DSR Framework and Methodology satisfies the eligibility criteria set out in the Licence condition SC8I.4 (b)? If not, do you have any views on how to better satisfy this principle?

We are satisfied that the eligibility criteria have been met.

Q9: Are you satisfied that the introduction of the DSR Framework and Methodology through the proposed revisions to the Locational Market of the OCM Platform is the most appropriate approach to meet the principles set out in Licence condition SC8I.4 (c)? If not, would you like to share any other options which in your opinion would better satisfy this principle?

In terms of providing a timely and low-cost approach, we agree with the proposed way forward.

Q10: Do you consider that this proposed DSR Framework and Methodology satisfies the principle set out in Licence condition SC81.4 (d) which requires all DSR Offers to be treated as 'Eligible Balancing Actions' and included in System Clearing Contracts and the calculation of Cash-out prices? If not, could you provide details of any compatibility issues that you feel would conflict with this principle?



Q11: Do you consider that the proposed DSR Framework and Methodology provides you or other Gas Consumers with an additional 'route to market'?



Please refer to our answer for Question 6.

Q12: Does the proposed DSR Framework and Methodology provide a 'route to market' for a DSR product that you would be interested in providing?



Our interest in facilitating this route to market will depend on the contractual terms that can be agreed with suppliers/ consumers.

Q13: Would you agree that the proposed DSR Framework and Methodology does not unduly preclude the emergence of further commercial interruption arrangements? If not, could you provide information regarding which element you feel could prevent the emergence of commercial interruption, and any view on how this could be mitigated?



Commercial interruption is, as we have indicated in our answer to Question 6, a viable alternative. We do not believe that the DSR Framework and Methodology will negatively impact on future commercial interruption arrangements.

Q14: Do you foresee any distortions or unintended consequences that the introduction of the DSR Framework and Methodology may have on the existing gas market or gas supply contract arrangements and the principle of parties balancing their own positions in the wholesale gas market?



We do not foresee any distortions or unintended consequences. However, contract negotiations may prove to be more difficult especially until such a time as experience is gained by shippers, suppliers and consumers in formulating contractual terms and conditions pertaining to the provision of DSR Offers.

Q15: Do you believe that the proposed DSR Framework and Methodology facilitates the procurement of DSR in a manner consistent with the National Grid's obligation to operate its pipeline system in an efficient and economic manner?



It provides a proportionate approach at an expected minimal cost.

Q16: Do you consider that the proposed DSR Framework and Methodology would provide an improvement to the incentives on the gas suppliers to secure the domestic customer supply security standard?



It has the potential to do that.

Q17: We would value any additional comments you would like to share with us regarding the process we have adopted in developing of the DSR Framework and Methodology.



We have no further comments.