

## DSR Framework and Methodology Consultation

### Representation Pro-forma







(Close-out date for representations 23 January 2015)

Date: 23/01/15

Organisation: **Energy Intensive Users Group**

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:

## 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?



EIUG agrees that the framework and methodology should focus on arrangements between National Grid and shippers, and need not specify details of contractual arrangements between suppliers and gas consumers.

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?



EIUG is not aware of any reason why the OCM should not provide an appropriate platform. Avoiding a need to create an additional platform would help to minimise the cost of the scheme, which will ultimately be borne by consumers. Shippers may be better able to comment on this, if they have any concerns.

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 appears to meet expectations with respect to flexibility as far as most energy intensive industrial users are concerned. Some EIUG members might have comparatively little difficulty in turning down by a predetermined volume – others have suggested there may be instances where turning down to a pre-determined level of consumption would be easier to accommodate.

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 proposed arrangements appear to meet the requirements of EIUG members with respect to the posting and processing of DSR offers.

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?



EIUG and its members are grateful to have had the opportunity to provide input into the development of the DSR framework, and appreciate the efforts made by key National Grid staff to engage with us directly on this subject.

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?



Yes

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?



N/A

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?



No comment

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?



Q10: Do you consider that this proposed DSR Framework and Methodology satisfies the principle set out in Licence condition SC8I.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?



N/A

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



EIUG believes that the proposed DSR framework could indeed provide an additional route to market for energy intensive industrial gas users, and potentially other large gas users too. The extent to which this route to market is likely to be exploited by energy intensive industrial gas users is far from clear, however.

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



It is not clear to what extent the proposed DSR Framework and Methodology will succeed in providing a route to market that EIUG members would be interested to provide. This will depend on the contractual terms available. Nevertheless, we understand that a number of EIUG members are potentially interested in discussing terms with shippers/suppliers.

Some EIUG members however have said they would be unlikely to be able to offer demand response solely on the basis of exercise fee, in the absence of an option (availability) payment.

Others have pointed out that the proposed threshold of 100,000 kWh per meter point per day would exclude a large number of smaller gas intensive industrial sites that might otherwise be willing to bid for DSR. A means of aggregation would be required for such users to become involved, analogous to that already established in the electricity market.

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?



EIUG agrees that the proposed DSR Framework and Methodology would not preclude the emergence of further 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?



N/A

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?



N/A

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?



N/A

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.



No further comments.