

The Demand Side Response (DSR) Mechanism

End to End Process

The DSR Mechanism features 2 principle contractual arrangements:

- a **Part One – For delivery of the physical action by the Gas Consumer to reduce the gas quantity offtaken, at a relevant Site, associated to the DSR Offer** – this is the Shipper/Supplier to Gas Consumer contractual arrangement. On behalf of the Gas Consumer (in some cases through instruction by the Supplier) the Shipper will agree to place an offer onto the DSR Mechanism, which reflects the agreed DSR volume and price for the Gas Consumer’s reduction in offtake of gas from the gas network. In return the Gas Consumer commits to honouring and delivering on the agreed offtake reduction if called on to do so by the relevant Shipper. *Requirements for this aspect of the DSR mechanism may be defined by the Shipper, Supplier or Gas Consumer through their Contractual (gas supply contract) arrangements; and*
- b **Part Two - For the procurement of the gas which would otherwise have been offtaken by the Gas Consumer which is now associated with the DSR Offer** – this is the Shipper to National Grid contractual arrangement. Under prescribed parameters and criteria, the Shipper will offer to sell “title” to gas (associated to the DSR Offer) to National Grid in its Role as the Residual Balancer. *The requirements and provisions for this aspect of the DSR Mechanism will be set out within the DSR Methodology and the Uniform Network Code (UNC).*

Determining what amount of DSR to Offer

To be eligible to participate in the DSR Mechanism the End User’s site must consume enough gas per year to be classified as a Daily Metered Component ‘DMC’ customer. A ‘DMC’ customer is an Gas Consumer with a supply point, which has a yearly demand of greater than two million therms (2M tpa). Eligible sites also have to be able to offer a minimum DSR Offer volume of 100,000 kWhs in any one DSR Offer Notice (e.g. tranche of DSR volume).

The first step for an eligible Gas Consumer who wishes to participate in the DSR Mechanism, is to decide what level of Demand Side Response volume they are prepared to make available and at what price (depending on how the Gas Consumer values the cost associated with the reduction of specific quantities of their gas supply). Eligible sites are permitted to make multiple DSR offers which can be priced individually (tranches); all DSR Offers must meet the minimum 100,000 kWhs trade volume criteria.

The details, criteria and arrangements associated with the DSR volumes to be offered may be set-out and discussed with the site’s registered Shipper (in some cases through instructions with the relevant Supplier).

Posting a DSR Offer

Where the Shipper, (Supplier) and Gas Consumer agree that the Shipper will post the DSR Offer(s) on behalf of the Gas Consumer; the Shipper will place the agreed DSR values in the form of DSR Offer(s) onto the DSR Mechanism. The DSR mechanism will be facilitated through the ‘On the day Commodity Market’ (OCM) - [Locational Market] Platform. As a Network Code Signatory the site’s registered

The Demand Side Response Mechanism

Shipper is the only party permitted to enter DSR Offer(s) onto the DSR Mechanism on behalf of the relevant Gas Consumer associated with that specific site. In accordance with arrangements agreed with the Gas Consumer, the Shipper may post the DSR Offer(s), update or withdrawn at any time in advance of a Gas Deficit Warning (GDW) and up to the declaration of a Gas Deficit Emergency (GDE) Stage 2.

Accepting the DSR Offer

DSR Offers may only be accepted by National Grid, where a Gas Deficit Warning (GDW) has been declared, and is in effect, and only during the DSR Period (the period between GDW and the end of GDE stage 1). A DSR Offer may be posted and accepted for a single gas Day or for multiple gas Days (as a Multiday trade - this may not exceed 7 days).

In respect of determining which offers to accept National Grid will access all of the available DSR Offers, together with all other market offers, posted for the relevant gas Day, across all of the OCM platforms (including OCM Title, Physical, Locational Markets) and National Grid will accept the lowest price offer available first.

Where National Grid accepts a DSR Offer for the gas Day:

- The Shipper (in some cases through the Supplier) will notify the Gas Consumer of their requirement to physically reduce their gas demand (as previously notified by their End Of Day (EOD) offtake) by a volume at least equal to the accepted DSR Offer. The system balancing clearing position, for both the Shipper and National Grid, in its Residual Balancing role, will be adjusted to reflect the completed gas trade, affected through accepting the DSR Offer.
- The Shipper will revise the relevant Gas Consumer's site/sites' nomination quantity, through a Physical Re-nomination, which will reflect the title trade (for the DSR Offer) volume.

Where National Grid accepts a Multiday DSR Offer it will be in accordance with existing arrangements set out in the UNC Transportation Principles Document (TPD) Section D4.

Accepted DSR Offers will be treated in a similar manner as other actions National Grid undertakes for system balancing purposes, and, as such, all accepted DSR Offers prices and volumes will feed into the calculation of the cash-out prices and balancing neutrality processes for the relevant gas Day.

Payments for the accepted DSR Offers will be paid to the Shipper by National Grid within the same timescales set-out for other Market Balancing Actions as detailed in Section S of the UNC TPD. The Shipper will then pay the Gas Consumer the agreed payment for the accepted DSR Offer(s).

Arrangements relating to the day in which a GDE stage 2 is declared

Where National Grid accepts a DSR Offer for a gas Day in which a GDE Stage 2 is subsequently declared; the accepted DSR Offer will continue to be required on each following day, until revoking instructions are issued by the National Emergency Co-ordinator (NEC).

Payment for such actions will be:

- Settled for the day, or multiday, that the DSR Offer contract duration was accepted, payment will be made in accordance with the accepted DSR Offer price. The standard settlement period will

The Demand Side Response Mechanism

apply as detailed in Section 5 of the UNC TPD i.e. end of the month in which the DSR Offer is accepted plus 23 working days.

- For subsequent days payment will be at the 30 day average System Average Price (SAP) for the accepted DSR volume, this will be made for the DSR Volume until the site is subject to an instruction to Firm Load Shed (FLS) it's remaining offtake volume as part of the Stage 2 emergency process.
- Where the Consumer's site is instructed to Firm Load Shed, the involuntary DSR payment arrangements as set out in the Ofgem Significant Code Review on Security of Supply Conclusions document will then apply.

In the event that an accepted Multiday Offer contract's duration runs beyond the point at which the site is subject to an instruction to Firm Load Shed, the payment associated with the accepted DSR Offer will continue to be paid in accordance with the agreed DSR Offer price until the accepted contract's duration has concluded.

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