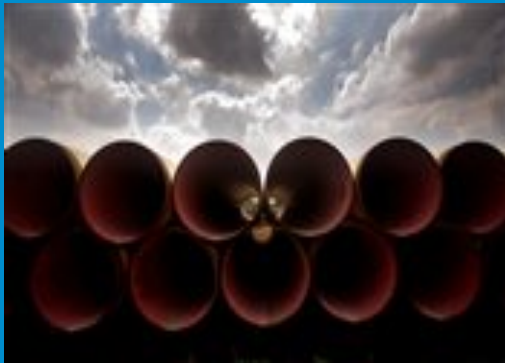


Development of a Demand Side Response Methodology



Workgroup 7

Agenda

- Summary of representations
- DSR Trial

Summary Of Representations



DSR Methodology and Framework nationalgrid

Consultation - Summary of Representations

	Total Reps Received	Respondent
Total number of respondents	12	
End Consumer and group	4	<ul style="list-style-type: none"> • British Glass Manufacturers' Confederation, • Energy Intensive User Group, • Major Energy User Council, • British Ceramic Confederation
Shipper	4	<ul style="list-style-type: none"> • E.On UK • Scottish Southern Energy, • British Gas Trading Ltd, • RWE Supply and Trading GmbH, RWE Generation UK plc,, RWE Npower Group
Industry group	1	<ul style="list-style-type: none"> • Energy UK
DNO	2	<ul style="list-style-type: none"> • National Grid Distribution, • Southern Gas Network,
Regulatory Body	1	<ul style="list-style-type: none"> • HSE

Confidential representations were also received

Agreement on:

- the OCM Locational Market approach meets the licences condition
- The eligibility criteria satisfied the licence Condition
- Shipper/consumer contract outside of the DSR framework and methodology.
- All respondents satisfied that they had been given sufficient opportunity to provide input into the development of DSR arrangements.

Key Issues

- Concerns over uncertainties relating to the content of shipper/consumer contractual arrangements featured throughout the responses:
 - Clarity and definition of the Shipper/End Consumer Contract required (outside of the DSR framework and methodology)
 - Liabilities associated with failure to respond to exercising DSR instructions and imbalance implication
 - The balance between product flexibility and resource management in times of system stress
 - Contractual complexities and uncertainties may impact appetite to participate

Key issues cont:

- Concerns over the minimum bid size suggesting aggregator be considered.
- DNO highlighted concerns regarding info provision where a DSR offer has been accepted and the site reduced offtake.

Overview of Consultation questions

Overview of Responses

Q1	Majority view that Shipper to End Consumer DSR contractual arrangements should not be prescribed within the DSR Framework and Methodology
Q2	Majority of respondents agreed that the current OCM locational market would deliver an effective platform to deliver the DRS Product, however there were concerns expressed regarding visibility of other locational tools which also utilise this market. Some End Consumers responses considered that they did not have enough knowledge about the OCM to comment.
Q3	All who respondents considered that the proposed DSR product provided sufficient flexibility, however with that flexibility some shippers, the responded, raised concern regarding resources required at stressed times to accommodate such flexibility. End Consumers raised concerns over the difficulties associated with responding to the offer with a specified volume of reduction.
Q4	Most agreed that the criteria and arrangements set out in the framework and methodology meet their requirements, and delivered a 'vanilla' product. Though some shippers, who responded, suggested that through individual Shipper/End Consumer contractual arrangements, it may be that limits on the frequency of bid updates are agreed in order that shipper's operational resources aren't impacted at time when they are most strained. Some respondents felt that there could be merit in considering the aggregation of volumes from several small site to make up the required minimum volume.
Q5	All respondents stated that they were satisfied that they has been given sufficient opportunity to provide input to the development of the DSR Framework and Methodology.
Q6	Most respondents agreed that the proposed DSR arrangements may deliver an efficient and economic approach, however it was caveated that this was dependant on Consumers participation uptake, the true cost of development and concerns associated with the Shipper/Consumer contractual agreement particularly in the context of Liabilities.
Q7	Respondents that commented agreed that the Framework and Methodology should set out NG gas procurement arrangements with only high-level reference to Consumer/Shipper contracts
Q8	Agreed that eligibility criteria satisfied the licence condition

Overview of consultation questions - continued

Overview of responses

Q9 General view was that the proposed arrangements met this Licence condition through a timely and potentially low cost approach

Q10 General view was that the proposed arrangements met this licence condition

Q11 All respondents that commented, to varying degrees, agreed that the DSR product may provide a 'route to market', however some respondents caveated this by highlighting the uncertainties associated with contractual arrangements and minimum bid size volumes.

Q12 Mixed views were expressed to Q12: some respondents noted that appetite for utilising the product depended on the contractual arrangements, some suggested that the minimum bid size could put consumers off participating and perhaps aggregator arrangements could be considered.

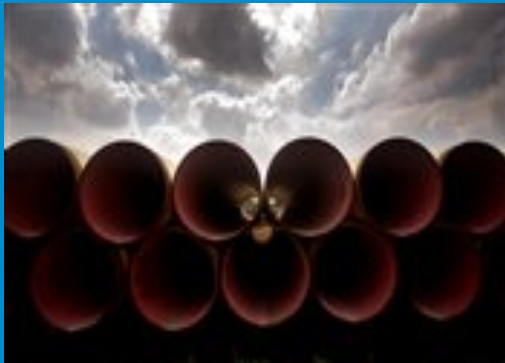
Q13 General view was that the product would not impact the emergence of commercial interruption

Q14 Respondents highlighted concerns associated with non-delivery of exercised contracts and the consequences this may have on the shippers balance position and financial risk. They noted that these risks would need to be addressed as part Shipper/ Consumer Contract

Q15 DNO raised concerns over associated with the operation of the pipeline system in terms of information provision associated with sites, within their LDZ, that may reduce offtake through DSR arrangement and having an offer accepted on the locational market.

Q16 Although most shippers, that responded, broadly agreed that the proposed DSR arrangement would improve the incentive on security of supply, other respondents suggested that the DSR product might be too complex and unlikely to attract sufficient volumes to improve incentives on the security of supply.

Development of a Demand Side Response Trial



Trial Scenario

- Closures of UK coal and nuclear power stations have resulted in a greater demand for gas as a source of UK energy generation
- The winter period has seen gas demand running above seasonal normal levels due to the UK experiencing an extended period of cold weather with unprecedented snowfall and gale force blizzards
- Demand has reached 1 in 20 peak day demand of 499 mcm/d and additional weather warnings have been issued which are likely to result in further disruptive conditions.
- There have been a number of large impact events resulting in significant supply loss
- A range of commercial and physical mitigating actions have been taken to reduce the impact on linepack however, the overall position on the NTS looks unsustainable with forecast national demand not expected to reduce and supply losses set to continue
- NEC make the decision to declare a GDW – DSR offers become visible and can be accepted by NGG

What are the Trial objectives

- Understanding of :
 - Participation
 - Volume
 - Range of Pricing
 - Communication Links
 - Duration
- What else would you like to see?

Trial design

- Who's involved?
 - NG, End Users & Shippers, Suppliers ?
- Communication Links:
 - Email?
 - Phone calls?
- Information provided in DSR offer:
 - Volume of turn down by tranche
 - Price per tranche
 - Duration of offer (Daily or Multiday)

- Duration of Trial one day or multi day?