

**UNC Demand Side Response Minutes**  
**Wednesday 10 December 2014**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Helen Cuin (Chair)	(HC)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Audrey Nugent	(AN)	Chemical Industries Association
Charles Ruffell	(CR)	RWE
Claire Thorneywork	(CT)	National Grid NTS
Debbie Brace	(DB)	National Grid NTS
Eddie Proffitt	(EP)	MEUC
Graham Jack	(GJ)	Centrica
Julie Cox	(JCx)	Energy UK
Peter Bolitho	(PB)	Waters Wye
Richard Fairholme	(RF)	E.ON
Ritchard Hewitt	(RH)	National Grid NTS
Stephen Jarvis	(SJ)	Ofgem

Copies of all papers are available at: <http://www.gasgovernance.co.uk/dsr/101214>

**1. Review of Minutes and Actions****1.1. Minutes**

With no comments received, the minutes of the last meeting were approved.

**1.2. Actions**

**1101:** Parties to consider and provide a view on the visibility of commercial sensitivity of data.

**Update:** Discussed under item 2.3, below (information included in Workgroup 6 presentation, slides 22 - 24). AN will feed back the outcome of today's discussions to the parties who raised the initial concerns, and will liaise with CT to address any outstanding queries. It was agreed to review this action again on 02 February 2015. **Carried forward**

**1102:** National Grid NTS to provide scenarios of how bids can be submitted, and for these to be added to the DSR story.

**Update:** See item 2.1 (Workgroup 6 presentation pages 9 and 10). **Complete**

**2. Modification 0504 - Development of a Demand Side Response Methodology for use after a Gas Deficit Warning**

National Grid NTS provided the [Workgroup 6 Presentation](#).

**2.1. DSR Methodology and Consultation Document**

CT thanked all those who had responded, advising that feedback had been received and reviewed; updating had taken place as appropriate. CT then asked if there were any concerns about the content of the document. GJ suggested the use of the term 'methodology' might need to be reconsidered. RH indicated this term emanated from the Licence, but he would be happy to change it. What was meant by 'methodology' and how that transposed to this process was discussed.

Other naming suggestions were made, e.g. Demand Side Response Framework, and CT noted these for further consideration in an appropriate renaming so that confusion was avoided.

CT advised there would be several appendices attached to the document giving access to supporting information. Views were sought on where the contract terms, Heads of Terms and other reference documents should reside/be linked to the consultation, and whether these should best sit within or beside the consultation process.

SJ observed that some details might not need to sit with DSR at all. RH believed there should be consistency in references made across all the documents, and that the same defined terms ought to be reflected in the contracts. PB favoured high-level Heads of Terms (suggested or illustrative).

EP expressed concern with any document published by National Grid NTS that defines the terms of a contract between a Shipper and its customer. EP believed that this did not require National Grid NTS' involvement. RH agreed, adding that it had been difficult for National Grid NTS to judge how far it should go to suggest what might be included in a contract.

GJ asked where an interested party might look for information. SJ was keen to keep reference documents in a central location; FAQs could be devised to provide initial guidance.

The [DSR Service Agreement heads of terms](#) were then displayed. This would accompany the process flow and contains key points of the service agreement and descriptions of the respective responsibilities/actions in the placing of bids on the market. The Workgroup considered the table, which listed the Head of Terms. CT clarified this was aimed at any party responding to the consultation to assist their understanding of the methodology. It was suggested this might be better named as a checklist/principles/headlines/points of consideration to be borne in mind. PB observed it should be made clear that this was not an exhaustive list and that other points might also require consideration. Consideration should also be given as to where this reference document (Heads of Terms) can be made available on the National Grid website (rather than as a formal document) so as not to give the impression that this is/is not binding. It was agreed to append as 'Points of Consideration'.

Attention was then drawn to the [DSR End to End Process flow](#) and 02 December 2014 DSR End to End Process Document. CT described this as a high-level, easy to read process flow of what will take place. Parameters had not been addressed, as deemed too complex; this was a simple process schematic. The flow was reviewed and it was agreed that a number of the Boxes required clarity in respect of the roles of the parties involved. CT noted suggestions made for amending the wording.

Returning to the main presentation (slide 5), CT explained the mechanics of the consultation process. Referring to the Consultation Questions [DSR Methodology Consultation Questions](#), JCx queried their relevance, suggesting they would be better categorised/focused to particular target audiences to enable more valid responses. The Workgroup considered applying a colour code for questions to more accurately target customers and Shippers, together with the opportunity of allowing responses to all questions. National Grid NTS agreed to consider flagging and grouping. JCx also suggested that National Grid NTS create/provide a consultation response template to assist responses.

The timescales and next steps were reiterated and reviewed. Pertinent dates were clarified, and concerns were expressed at the brevity of the periods. CT pointed out this was an 'ideas' consultation - it was about establishing the product

definition and the supply chain, and to test the process. Any issues that surfaced in responses could then be addressed, the process revised, and then decisions could be made on what should go into Code. This may involve the Workgroup addressing some of the issues before the actual trial in May/June/July 2015. Ofgem will need to measure the success of the product development and then direct the industry. RF suggested it was worth adding a question to ascertain if parties were willing to participate further in the process.

<b>Task</b>	<b>Action</b>	<b>Delivery Date</b>
DSR Consultation	Consultation Opens	19 December 2014
	Consultation Closes	23 January 2015
	Initial Consultation Response Workgroup	27 January 2015
DSR Workgroup Meeting	To discuss consultation responses and DSR methodology report	02 February 2015
DSR Methodology Consultation Report	Submission to Ofgem	01 March 2015
DSR Trial	Internal preparation of options development and customer engagement plan	November 2014 to February 2015
	Product Trial	May/June/July 2015

The Workgroup discussed the relevance of consultation Question 14, which related to the relevant objectives. It was believed that bringing attention to and addressing UNC relevant objectives at this point would help to prevent potential failure at a later date (if by ignoring now, an issue should subsequently be identified that would cause breakdown). The relevance of Question 15 was also considered and discussed. RH indicated he was happy to remove this if necessary. It was confirmed that the licence conditions had also been provided (Appendix A4). SJ suggested including the relevant objectives as bullet points with a paragraph to explain how these might be facilitated, and seeking views. SJ also suggested making the questions more 'open-ended'. CT noted these suggestions.

The Workgroup then considered the reference to the locational platform (OCM) and the use of industry terminology to assist rather than confuse consumers. It was suggested this be renamed with a less specific reference to 'locational'.

SJ noted concerns about the use of UNC terminology, which might be confusing for a consumer when reading the documentation. This was discussed. The methodology covers the terminology, but perhaps these could be simplified in the documents to make them more accessible, with the use of footnotes to reference specific terminology. AN believed that most Energy Managers would be familiar with UNC terms. EP suggested the Head of Terms document should make clear what applied to what party/audience so that the relevant parts could be accessed. RH and CT will review and simplify the documents as far as possible. CT also intended to add a FAQs section to clarify/assist readers. It was confirmed the consultation report would be issued to all industry parties (apart from any confidential responses).

In response to Action 1102, CT explained the features of the DSR mechanism and the different parameters of the offtake, and the product options for different scenarios. EP enquired about the weekend effect and believed that because of a routine reduced load there would be no turndown available for some sites. CT explained how it should work/be applied to different loads on different days, and that Shippers needed to take into consideration the suitability of daily or multi-day products, depending on the level of risk aversion of the consumer. National Grid NTS will try to clarify this and illustrate the options within the FAQs. GJ suggested referring to 'energy quantity' rather than volume. RH added that the expectation was that Shippers would discuss what was most appropriate for a consumer's circumstances; it was important to only offer a turndown that a party can be sure of delivering. It was agreed to replicate the scenarios/product options within the appendices. CT noted that the level of flexibility, i.e. ability to change bids post GDW, should be made clearer in the examples.

Further reference papers were made available for the Workgroup: [DSR Methodology](#), [DSR Consultation Master](#) and [Example Supplier/Consumer Contract Terms](#).

## **2.2. Survey Feedback**

Referring to the main presentation (slides 12 - 15) DB provided an overview of the DSR Survey Feedback, the trial timeline and the pre-trial go-live requirements.

RH clarified some of the respondents were not interested in the product but interested in the actual trial.

The Workgroup considered the responses from parties. Parties who were interested in the product indicated a interest in turning down for a number of hours within day but not more than a day.

EP confirmed he had contacted a number of customers (11, covering 92 sites) and none appeared to be interested in the service; an option fee this view may/may not change consumers' views as to what they may be prepared to offer, but it has raised awareness of the potential for a commercial interruptible product (which does not require the involvement of National Grid NTS, who would only initiate the trigger for the GDW, thus mobilizing other parties to take action). A fully fledged commercial product would be a good end goal.

## **2.3. Locational Market and DSR Offer**

Responding to Action 1101, CT provided some slides on the visibility of data for multi-day offers (slides 22-24), and explained the information available to all market participants. This was reviewed and discussed. The site retains the VLDMC reference. EP suggested that the Xoserve enquiry system would allow parties to obtain information using the VLDMC reference. It was believed the information would only be able to be cross-referenced if a Shipper had held/supplied the site previously and had retained that historic information. Only Shippers would have access to the locational market. This is a secure access with an annual fee; only parties with a Shipper Licence are able to see the locational market. It was noted that prior to the GDW there would be no visibility of any offers, not even to National Grid NTS.

RH challenged what information would be obtainable from having visibility of a VLDMC reference number as the actual offer price is made up of three elements and the breakdown of these elements would only be known between the Shipper and Supplier. What was giving rise to concerns relating to confidentiality? AN suggested that if GDW occurred it could be seen which site(s) have come off. RF believed this was only on Trader screens and consumers were not privy to that. This was discussed. Shipper Licence holders can see information on the locational market; Traders can see the title market. Shipper/consumer

relationships may release information but this was not generally available and would only be visible in a GDW. CT confirmed the entire bid was hidden; the information did not become publicly available at any point. CT suggested that there was a need to be mindful of the time at which a GDW was called and the prices placed on the market at that time. CT would expect parties to be more concerned with their own reactions to a GDW, and briefly explained the range of tools open for use in the event of a GDW. PB asked if parties would post any bids way in advance - if all offers there were immediately taken up what effect would that have? SJ recapped on the GDW process and given where this would sit in the process it would be highly unlikely to be the case.

RH explained that National Grid NTS would be looking for a market reaction to the calling of a GDW over the first hour or two, i.e. physical changes at entry/exit, and then would be considering what minor/major action should be taken, incrementing as required. Referring to the January GBA as an example, RH briefly described the circumstances where the market responded as expected - parties were watching and responding even before getting to the point when a GBA was to be issued. RH explained the drivers for National Grid NTS and the need to be economic and efficient, however the taking of a high priced bid could not be ruled out if by doing so it meant saving the situation from tipping over into an emergency. It was observed that offers needed to be there in a reasonable time for response to an emergency.

JCx asked how was the monitoring of activity of offers being placed to be carried out and by whom, as this was to all intents and purposes opaque to all parties prior to a GDW. There could be no bids. It was challenged whether National Grid NTS should have visibility of offers before a GDW. RH explained that even though National Grid NTS was the only party that could take any bids, it would not be given any visibility until the GDW is called. The NEC did not have access either. ENDEX had the visibility.

SJ suggested that to allay concerns the information could be sent regularly to Ofgem. RH observed that contracts could be constructed such that no bids would be posted until a GDW was declared, so even if monitoring was taking place it might not give an accurate picture of what would be available/contracted for across the market. This was discussed. It was confirmed that bids could be changed post GDW. PB asked if Ofgem would report on this monitoring activity. SJ suggested it could provide an annual reminder to parties to consider updating their bids.

EP referred to the SCR's objectives to free up the market and to devise a route to market. Did this need reporting on? JCx quoted the Licence conditions whereby Ofgem was to provide a summary of market depth. SJ noted this for consideration of how this might be fulfilled. EP observed the original objective were to provide confidence in volume - this seems to have changed because of the making of this existing platform the only route to market, and the system is now driving this. RH recapped on the progress made. Does the market itself need more confidence that the mechanism is being used and that the bids are there? Would annual reporting be the right way to provide this?

**Action 1201: *Placing of advance bids* - Ofgem to provide a view on the monitoring of appropriate activity and the roles of parties to achieve this.**

### 3. Any Other Business

None raised.

### 4. Next Steps

RF asked if iGT sites were expected to form a part of the consultation at this point, as this could potentially slightly increase the market. RH confirmed this would be drawn in post-Nexus.

The consultation will be circulated via the Joint Office to as wide an audience as possible (including Shippers, Transporters, end users and iGTs registered with the Joint Office to receive UNC related communications) and will run from 19 December 2014 to 23 January 2015.

The main agenda items for the next meeting will be:

- Review the output of the formal Consultation Responses
- Consider methodology revisions.

Any further views/issues/concerns please contact Claire.l.thorneywork@nationalgrid.com (01926 656383), or Darren.lond@nationalgrid.com (01926 653493).

### 5. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Monday 02 February 2014	31 Homer Road, Solihull B91 3LT	<ul style="list-style-type: none"> <li>• Review the output of formal Consultation Responses</li> <li>• Consider methodology revisions</li> </ul>

### Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1101	11/11/14	2.1	Parties to consider and provide a view on the visibility of commercial sensitivity of data	CIA (AN)	Carried Forward
1102	11/11/14	2.1	National Grid NTS provide scenarios of how bids can be submitted, and for these to be added to the DSR story.	National Grid NTS (RH/CT)	Complete
1201	10/12/14	2.3	<i>Placing of advance bids</i> - Ofgem to provide a view on the monitoring of appropriate activity and the roles of parties to achieve this.	Ofgem (SJ)	Pending