

**UNC Demand Side Response Minutes**  
**Monday 13 October 2014**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Les Jenkins (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Andrew McDermott	(AM)	British Ceramic Confederation
Audrey Nugent	(AN)	Chemical Industries Association
Charles Ruffell	(CR)	RWE
Claire Thorneywork	(CT)	National Grid NTS
Darren Lond	(DL)	National Grid NTS
Debbie Brace	(DB)	National Grid NTS
Eddie Proffitt	(EP)	MEUC
Gareth Davies	(GD)	Statoil UK Ltd
Graham Jack	(GJ)	Centrica
Jamie Unwin*	(JU)	GrowHow
Julie Cox*	(JC)	Energy UK
Laura Mason	(LM)	National Grid NTS
Peter Bolitho	(PB)	WatersWye
Stephen Jarvis	(SJ)	Ofgem

Copies of all papers are available at: <http://www.gasgovernance.co.uk/dsr/131014>

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

SJ suggested an amendment to Ofgem Action 0903:

**Action 0903:** Ofgem to consider ~~and provide a view on the enforcement of accurate gas nominations.~~ standard contract terms and the possibility of needing to make changes to shipper/supplier licenses if a DSR mechanism is to be implemented.

Minutes approved.

**1.2. Actions**

**0901:** National Grid NTS to provide an explanation of how the tick down rate will work in the context of the prevailing minimum bid size of 100,000 kWhs on both the OCM and within the UNC provisions.

**Update:** DL clarified that the current functionality of the reducing rate; once the prevailing bid drops down below the 100,000kWhs it will drop off the system.

**Complete**

**0902:** National Grid NTS to provide further volumetrics based on actual DM demand, the percentage utilisation of the SOQ and a summary of averages.

**Update:** See item 2.5. **Complete**

**0903:** Ofgem to consider standard contract terms and the possibility of needing to make changes to Shipper/Supplier licenses if a DSR mechanism is to be implemented.

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**Update:** See item 2.3. SJ clarified that in principle it would be feasible to include Licence provisions, which seek to put in place obligations associated with facilitating contracts for DSR with End Consumers. However the industry would have to demonstrate why such licence provisions would be required and why DSR Contracts would be prevented from emerging in the absence of a Shipper/Supplier Licence provision. If the Workgroup believe there is a need for this to be a licence obligation Ofgem would wish to understand the rationale. LJ challenged the protection to consumers and ordinarily Ofgem stipulate the mandatory requirements through licence obligations. LJ asked the Workgroup to consider if suggesting standard contract terms within a supporting document is substantial enough. PB suggested that allowing market forces to drive each DSR Contract terms and agreement might be more appropriate approach than mandating the terms of a service within the licence. It was considered that this ought to be a consumer-led service. EP believed that all Suppliers ought to be required to provide the service, which leads into the licensing route, otherwise to utilise the service customers may have to seek an alternative Supplier. He also believed this should be a proactive offered service.

CT noted that there might be a Shipper/Supplier Licence revision required to the recently implemented SCR License drafting which would align the payment obligations, in GDE stage 2, for voluntary DSR to those for the Involuntary DSR arrangements. The Workgroup concluded that the service should evolve through normal market forces and it would be sufficient to have contract standard terms within the methodology rather than a licence obligation.

#### **Complete**

**New Action 1001: All parties to provide views on driving contract standardisation within the Methodology to National Grid.**

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

CT provided a [Workgroup 4 Presentation](#).

### **2.1. OCM Platform**

DL summarised the benefits of OCM; a familiar platform with some functionality, that is proposed to be adopted by the DSR Methodology, already existing within the OCM and other markets operated by ICE Endex. National Grid have engaged with ICE Endex (the OCM Market Operator) to discuss the DSR developments; high-level design principles and feasibility of the OCM to provide the platform. DL summarised the features and design options available, and how these might best facilitate the DSR product design. DL noted that as a result of the meeting with the Market Operator there was merit in the Workgroup re-considering some of the key features of the DSR product design. Areas for consideration were:

- Unfrozen DSR Period
- Daily and Multi Day Offers
- 7 day profiling 'Strips'
- Rolling Daily and weekly Strips
- Utilising the Locational market;
- Offer accepted on the day of entry into GDE stage 2 will be obligated to remain off until instructed back on by the NEC

The Workgroup discussed the 'unfrozen' principle, aligning with current OCM 'supply side' market for price and volume. GD had concerns about the internal process and ability for parties to operate such service. EP was concerned about

the certainty of volume and visibility to the NEC. There were no objections to considering the unfreezing of DSR Offers as a design consideration. CR questioned why volumes of a DSR Offer would change through the DSR Period, EP explained the considerations of minimum and maximum volumes and how volumes might change dependant on the customer's production schedule.

The Workgroup agreed on a daily product with a preference to a 7 day profiled offer ie. submitting values for each day of the week (in effect a daily product with ability to profile). It was noted that the Multi-day product would also be available on the same platform and that this may address some of the concern expressed by some End Consumers that they might require a commitment to accept their Offer for more than one day.

The Workgroup considered the visibility of DSR offers. The bidding would be dependant on views of the likelihood of a GDW being triggered. It was considered that this is not a service to be profited upon; it should be a service that allows parties to cover the cost of forgoing the volume. The Workgroup discussed the benefits of visibility. SJ suggested transparency would allow parties to anticipate the likely actions by National Grid. GD was concerned about the potential contractual consequences of transparency to the OCM participants and the continual communication with customers. EP highlighted that in the electricity market the accepted bids are published, however this would be after the event not ahead.

**Action 1002: Views to be provided to National Grid on the visibility of DSR offers up to the point of GDW.**

The Workgroup discussed the platform for DSR. DL proposed that the locational market could be revised such that it could support the DSR mechanism; there would be a requirement to revise the Platform to a one to many platform, with National Grid being the single party with the ability to accept trades and that there would be a DSR flag to identify which would identify DSR offers. The existing locational Platform would be an alternative to generating a new market.

Historically shippers have not been the accepting trader on the locational market, SJ queried whether Shippers ever envisage utilising the locational market, as the accepting trader?

**Action 1003: All parties to consider locational OCM bids and provide views to National Grid.**

**2.2. Product Outline (product specification, standard contract terms)**

CT explained the key features of the DSR platform; including the 3 DSR product design options, the process flow, and the revised product design implications.

The Workgroup considered the proposed revised approach for a daily product as described in item 2.1.

The Workgroup discussed arrangements associated with post GDE Stage 1 payment arrangements for, Offers accepted on the day of entry into GDE stage 2, The Workgroup were asked to consider what price should be applied to the DSR Offer volume on days within stage 2, but prior to the site being Firm Load Shed (FLS). In general the Workgroup noted that there were several options, which could be applied. However 2 principle option were discussed; 1. the application of the accepted DSR accepted offer price; and 2. the 30 day average SAP price.

The Workgroup considered the energy quantity, Firm Load Shedding and the GDE Restoration of supply. The Workgroup considered the incentive to encourage participation; LM highlighted the requirement not to detract parties from current market participation. The design needs to encourage participation not disadvantage parties and compensate them for the disadvantage of being turned off to avoid Firm Load Shedding.

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GJ suggested that there are other options for the rate to be applied, to price the scheme accordingly. He explained the price setting of the scheme would encourage certain bidding behaviours. There was some concern expressed about the price accepted on the first day being set as if the User was recovering all its cost on one day, so if the offer price is paid again the next days won't be cost reflective. It was suggested that a 30 day average could be applied for the daily product during stage 2 and if a user wasn't comfortable with this they could offer as a multiday offer that would carry through till the offer contract was complete.

SJ compared the daily profile and multiday profile bid. It was suggested that parties are paid for the contract struck i.e. paid for a single day or multiple days. SJ noted that a 30 day average SAP price could be applied where a daily product DSR Offer carried over to stage 2, and where the User considered that the payment would not reflect the site's VoLL they may consider it more appropriate to submit their offer as a multiday product offer, as the agreed offer price would continue to be paid upto completion of the multiday contract. It was clarified that if a party bids for 6 days and the emergency ends on day 3, that party will stay off for 6 days, paid for the contract struck and the price paid is for being off for 6 days.

It was suggested that the process flow diagrams are updated to reflect the different scenarios and show the single day/ multi day and unfrozen principal.

GJ sought reassurance of accepting bids with uneconomical benefits. CT explained National Grid NTS would consider the materiality of accepting bids and what is economical before accepting high bids and exposing customers. However GJ wished to understand the protection that can be offered.

It was recognised that this product may not prevent an emergency, but may prolong the duration before Firm Load Shedding is called.

**Action 1004: National Grid to provide an explanation of SMPS provisions for NG accepting residual actions.**

### 2.3. Draft Business Rules

CT provided [Draft Business Rules DSR Methodology](#) for Use after a Gas Deficit Warning (GDW).

CT noted that the Business Rules were drafted based on a 'Daily Product'. During Workgroup 3 members were asked to consider the pros and cons of all three products, and provide views. The Business Rules were in draft and CT recognised that these will need to be revised to reflect discussions and agreed revisions. CT confirmed that the revised Business Rules will be discussed at the November Workgroup along with a preliminary draft of the draft of the Methodology .

CT explained the three way party interaction, governance, contract 'Head of Terms' and the DSR Offer notice process.

CT explained the interactions and possibility that customers with a certain threshold could have a direct shipper contract. EP highlighted that most customers do not have a direct contract with Shippers, these are likely to be with a Supplier. The Workgroup considered that due to the size of these sites that it could be a fair assumption that such contracts would be with organisations that have a Shipper/Supplier licence.

The Workgroup considered the contractual arrangements associated with the interactions and obligations between the Shipper/Supplier and End Consumer when making an DSR Offer. PB had envisaged the parameters being set in the UNC, he understood the principal of having a model standard contract, but did not want this to undermine Shipper/Supplier business. CT noted that the UNC was not

best placed to provide for such a contract as the End Consumer was not a signatory to Code. She suggested that the Contract standard terms were best placed residing in the Methodology. It was agreed that the DSR Methodology would describe the Shipper/Supplier and End Consumer and DSR Offer Notice standard heads of terms, upon which bespoke arrangements could be individually agreed.

#### **2.4. Eligibility Rules**

LM explained the Licence principles relevant to eligibility and the general product features.

LM noted that National Grid continue to believe that introduction of provision which may exclude of parties, that already have a route to market, from participating in the DSR mechanism is not required as the revised product design is likely to be less favourable than placing Offers onto the OCM.

#### **2.5. Volumetrics**

LM provided a base scenario, assumptions and estimated DSR volume availability.

#### **2.6. Expression of Interest Survey**

LM provided a [Draft DSR Survey](#) and [Suggested Revisions to the DSR Customer Survey](#).

LM confirmed that two responses had been received. These responses included suggested revisions to current questions and for additional questions to be added.

The Workgroup considered the suggested revisions.

SJ enquired about the size of sites, the size of offers, the speed, and bidding multiple tranches which could offer offered partial or a complete load. He suggested National Grid consider optional questions to obtain different information on the tranches of load and the need to familiarise users that they can bid more than one tranche.

It was suggested the survey ought to offer a simple approach with a more detailed prompt to obtain more meaningful information with a second phase of questions.

There was a preference for a short and simple survey with a two-stage approach in a follow up survey.

National Grid NTS requested the assistance of Shippers and Suppliers to circulate the survey as wide as possible. CT explained NTS are not able to circulate the survey, as they do not have the contact details, these rest with the Distribution Network Operators (DNOs). EP suggested the DNOs circulate the survey. It was agreed that National Grid NTS would distribute the survey to Workgroup parties and the Joint Office for onward circulation.

#### **2.7. DSR Trial**

CT requested deferral of this item until next month.

**3. Any Other Business**

None raised.

**4. Next Steps**

The Workgroup briefly discussed the next steps. CT confirmed National Grid would be issuing the survey shortly. She suggested that the DSR offer price feed into Cashout needn't feature on next month's agenda, as it was understood this would be managed through market-balancing actions.

The main agenda items for the next meeting will be:

- Review Draft Methodology Business Rules
- DSR trial

**5. Any Other Business**

Any further views/issues/concerns please contact:

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Darren.lond@nationalgrid.com 01926 653493

**6. 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 Tuesday 11 November 2014	31 Homer Road, Solihull, B91 3LT	Issue Survey Review Draft Methodology and Business Rules DSR trial
10:30 Wednesday 10 December 2014	31 Homer Road, Solihull, B91 3LT	Outstanding issues Review and sign off Workgroup Report
10:30 Monday 02 February 2014	31 Homer Road, Solihull, B91 3LT	Review the Output of formal Consultation Responses Consider methodology revisions

**Action Table**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
<b>0901</b>	10/09/14	2.1.	National Grid NTS to provide an explanation of how the tick down rate will work in the context of the prevailing minimum bid size of 100,000 kWhs on both the OCM and within the UNC provisions.	National Grid NTS (CT)	<b>Complete</b>
<b>0902</b>	10/09/14	2.1.	National Grid NTS to provide further volumetrics based on actual DM demand, the percentage utilisation of the SOQ and a summary of averages.	National Grid NTS (CT)	<b>Complete</b>

**Action Table**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
<b>0903</b>	10/09/14	2.2.	Ofgem to consider standard contract terms and the possibility of needing to make changes to shipper/supplier licenses if a DSR mechanism is to be implemented.	Ofgem (SJ)	<b>Complete</b>
<b>1001</b>	13/10/14	1.2	All parties to provide views on driving contract standardisation within the Methodology to National Grid.	All	<b>Pending</b>
<b>1002</b>	13/10/14	2.1	Views to be provided to National Grid on the visibility of DSR offers up to the point of GDW.	All	<b>Pending</b>
<b>1003</b>	13/10/14	2.1	All parties to consider locational OCM bids and provide views to National Grid.	All	<b>Pending</b>
<b>1004</b>	13/10/14	2.2	National Grid to provide an explanation of SMPS provisions for NG accepting residual actions	National Grid NTS (CT)	<b>Pending</b>