

DSR Framework and Methodology Consultation

Representation Pro-forma







(Close-out date for representations 23 January 2015)

Date: **20/01/2015**

Organisation: **Major Energy Users Council**

Is this response Confidential? **YES/NO – 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?



YES. THE FRAMEWORK AND METHODOLOGY SHOULD LAY OUT THE REQUIREMENTS THAT NGGT NEED FROM SHIPPERS. IT IS FOR SUPPLIERS TO DETERMINE WHAT THEY REQUIRE FROM THEIR CUSTOMERS TO COMPLY WITH THE SYSTEM.

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?



I HAVE NO EXPERIENCE OF THIS MARKET THEREFORE DO NOT HAVE A VIEW, IT IS FOR SHIPPERS WHO WILL BE USING THIS FACILITY TO PROVIDE FEEDBACK

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 ABILITY TO OFFER DIFFERENT VOLUMES AND TO CHANGE BIDS I BELIEVE WILL MEET CONSUMERS REQUIREMENTS FOR THE EXERCISE ELEMENT OF A DSR SCHEME. ONE ELEMENT OF THE PROPOSAL THAT COULD CAUSE DIFFICULTY IS THE REQUIREMENT TO TURN DOWN BY AN AGREED VOLUME RATHER THAN TO A PREDETERMINED LEVEL OF CONSUMPTION WHEN THE CONSUMER'S PEAK DEMAND MAY VARY.

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 SYSTEM PROPOSED WILL MEET CONSUMER REQUIREMENTS FOR POSTING AND PROCESSING DSR OFFERS, WHETHER THEIR SUPPLIER WILL ALLOW THE FULL FLEXIBILITY THAT THE SCHEME OFFERS REMAINS TO BE SEEN.

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?



I BELIEVE I HAVE BEEN GIVEN A FULL OPORTUNITY TO PROVIDE INPUT INTO THE DEVELOPMENT. I BELIEVE MY VIEWS HAVE BEEEN LISTENED TO BUT NOT ALWAYS TAKEN INTO ACCOUNT AS OFGEM EXCLUDED SOME DESIGN CRITERIA FROM CONSIDERATION BY THE WORKGROUP IN THEIR FINAL CONSULTATION DOCUMENT.

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?

YES

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?

N/A

Q10: Do you consider that this proposed DSR Framework and Methodology satisfies the principle set out in Licence condition SC81.4 (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'?



YES

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



I HAVE CANVASSED MEMBERS AND RECEIVED A UNANIMOUS NO.

THEIR LOGIC BEING IF, AS OFGEM SAY IN THEIR FINAL POLICY DECISION DOCUMENT ON PAGE 19
"THEREFORE THE LIKELYHOOD OF THE MECHANISM BEING UTILISED IS EXTREMELY LOW" THEY FEEL IT
WOULD BE A WASTE OF THEIR TIME NEGOTIATING ADDITIONAL CONTRACT TERMS WITH THEIR SUPPLIER
AND CONSIDERING THE LEVEL OF BID TO SUBMIT, OR IN OFGEM TERMS THE COST BENEFIT OF BEING
INVOLVED IS NOT JUSTIFIED.

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?



YES – I AGREE THAT IT DOES NOT PREVENT COMMERCIAL INTERRUPTION EMERGING; IN FACT THE ONLY DIFFERENCE FOR A CONSUMER BETWEEN THE TWO IS THAT THE NG PROPOSAL LIMITS THE POINT AT WHICH THE INTERRUPTION CAN BE EXERCISED.

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.



I CANNOT LET THE OPPORTUNITY PASS WITHOUT EXPRESSING MY MEMBERS VIEWS THAT THE OMISSION OF OPTION FEES HAS KILLED THEIR INTEREST IN THE SCHEME, WHICH WILL SIGNIFICANTLY REDUCE THE POTENTIAL NUMBER OF PARTICIPANTS.

- ONE OF THE GUEST SPEAKERS AT THE OFGEM WINTER OUTLOOK SEMINAR 2014/15, HERB HEALY OF ENERNOC, QUOTED CLEARLY THAT HE FELT IT WAS EXTREMELY IMPORTANT TO HAVE AN OPTION FEE FOR A DEMAND SIDE RESPONSE TO BE SUCCESSFUL. AN EXTRACT FROM HIS PRESENTATION SLIDES SHOWS -
“Availability payments are a critical construct of successful markets and programs”
HIS USE OF THE WORD CRITICAL WHEN DESCRIBING AVAILABILITY (OPTION) PAYMENTS SUPPORTS MEUC MEMBERS’ FREQUENTLY EXPRESSED VIEW.
- OFGEM APPEAR TO ACCEPT THIS NEED FOR ELECTRICITY BUT NOT GAS. THE RECENTLY INTRODUCED ELECTRICITY DSR SCHEME HAS SET UP/OPTION FEES OF £10/kW (£293/THERM) AND FOR 2015/16 NGET WILL BE CONTRACTING FOR 1,800 MW AT A SET UP COST OF £18 MILLION.
- OFGEM HAVE EXPRESSED THE VIEW THAT OPTION FEES ARE NOT JUSTIFIED FOR GAS SECURITY OF SUPPLY AS THEY WOULD COST £128 MILLION OVER 15 YEARS OR £8.5 MILLION/YEAR, WHICH EQUATES TO £0.11p/YEAR FOR A DOMESTIC CUSTOMER.
- BY CONTRAST NGET HAVE JUST CONCLUDED AN ELECTRICITY CAPACITY AUCTION, WHICH ALTHOUGH NOT A DSR PRODUCT IS DESIGNED TO PROVIDE THE SAME SECURITY OF SUPPLY THAT WILL COST £956 MILLION/YEAR OR £11/YEAR FOR A DOMESTIC CUSTOMER, 100 TIMES THAT OF A REJECTED SCHEME FOR GAS.