

DSR Framework and Methodology Consultation

Representation Pro-forma







(Close-out date for representations 23 January 2015)

Date: 23 January 2015

Organisation: E.ON UK

Is this response Confidential? 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. As agreed in the DSR workshops to date, it is not the role of a framework or methodology to set out detailed contractual arrangements and to do so might preclude conclusion of contracts, particularly between Suppliers and their customers.

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?



Yes. It is a well-established platform that Shippers are familiar with, which is likely to be important in the run up to an emergency.

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?



Yes. From a Shipper point of view, we believe the DSR product does provide a good level of flexibility for large customers, but we welcome further feedback from customers on this point.

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?



Yes

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?



Yes, we have engaged in the DSR development process and have nothing further to add at this stage. We are pleased that NG has listened to customer and Shipper views throughout the development process and adapted their proposals as far as possible.

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, but ultimately it will depend on the level of interest and uptake by customers.

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 SC81.4 (a) licence obligation may be better achieved?



Yes.

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?



Yes

Q10: Do you consider that this proposed DSR Framework and Methodology satisfies the principle set out in Licence condition SC8I.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?



Yes

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?



As a Shipper / Supplier, we are happy to facilitate customer participation in this process.

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.

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?



The issue of non-delivery of exercised contracted volumes (and potential penalties) is not covered in the DSR methodology and will need to be addressed in customer / supplier contracts. We note that if some customers are unable or unwilling to accept such terms, it could impact participation.

An additional issue that may need consideration is the potential for large customers to be contracted both in the gas market and the electricity market for demand side services with National Grid. However, this is likely something that the customer's Shipper / Supplier will need to advise on and deal with in its contractual arrangements.

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?



We believe that the inclusion of an option fee would make the product significantly more attractive to customers (and also CCGTs), but inevitably this comes with a cost to industry and ultimately, consumers. We note the inconsistency between the current electricity Demand Side Balancing Reserve product, which does include an option fee, and this proposed DSR product in the gas market.

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?



If DSR prevents or slows the onset of a gas emergency, then there may be potential benefits in terms of enhanced domestic customer security of supply; however, in our view this product is unlikely to deliver sufficient volume in itself to avert a Gas Deficit Emergency. To potentially achieve this, CCGTs would have to be included in the scope of the product; which they are not.

In addition, we have no reason to believe the current domestic supply standard is not already being met and therefore “incentivising” anything above this, in an attempt to “gold plate” the standard, will come at a cost; ultimately to consumers.

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.



N/A.