

DSR Framework and Methodology Consultation

Representation Pro-forma







(Close-out date for representations 23 January 2015)

Date: 23/01/15

Organisation: British Ceramic Confederation (BCC)

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?



BCC agrees that the framework and methodology should focus on arrangements between National Grid and shippers and need not specify details of contractual arrangements between suppliers and gas consumers.

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?



The 'On the day Commodity Market (OCM)' is central to the operation of the commercial regime within the GB gas market. BCC believe that, of the three OCM markets, the Locational Market is currently used infrequently. As a result of its apparent suitability coupled with its underutilisation, it seems sensible to use the OCM Locational Market to facilitate the DSR mechanism. BCC are not aware of any reason why the OCM Locational Market should not provide an appropriate platform, although the gas shipper and supplier community will be best placed to comment on this. Indeed, extending the scope of the existing OCM Locational Market to include the new DSR Product would be more cost-effective for end consumers (who ultimately bear the costs) compared to building a new, separate DSR platform.

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?



It is important to recognise that end consumers will exhibit a range of DSR capability ranging from 'superfirm' (i.e. those who cannot forgo gas, including many of the largest gas consumers in the ceramic sector) to those that are extremely flexible. BCC are keen to ensure the DSR product is attractive to potential participants in order to increase the likelihood of DSR offers being made. Consequently, it is important that the DSR Product is designed with sufficient flexibility to align with a diverse range of gas offtake profiles. BCC welcome the ability to submit DSR offers over a single day or grouped multiple days and for the ability to submit separate tranches (each of which may be priced individually). We note that the DSR product will be to turn gas consumption down by an agreed volume. As a result, it will be more difficult for those end users with a variable demand profile to participate because the volume of gas that could be forgone on any given day will vary and at times could be zero.

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?



Each DSR offer must be greater than 100,000 kWh/meter point/day. We believe that this minimum volume requirement is too high and rules out a large number of gas-intensive, industrial sites that might otherwise be willing to offer DSR. BCC strongly believe that a means of aggregating smaller sites (which individually are each below the threshold) is required to increase participation levels and hence increase the volume of DSR offered. Adopting such an approach would make the gas DSR product analogous to the electricity Demand Side Balancing Reserve (DSBR) product.

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?



BCC have actively engaged within the '0504 - Development of a Demand Side Response Methodology for use after a Gas Deficit Warning' working group and our sector has contributed to the previous National Grid end user survey. BCC and its members are grateful to have had the opportunity to provide input into the development of the DSR framework and appreciate the ongoing efforts made by key National Grid staff to engage with us directly on this subject.

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, for those sites that have the flexibility to sacrifice gas consumption in excess of 100,000 kWh/meter point/day.

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?



No comment.

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?



No comment.

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?



No comment.

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?



No comment.

Q11: Do you consider that the proposed DSR Framework and Methodology provides you or other Gas Consumers with an additional 'route to market'?



BCC believes that the proposed DSR framework could provide an additional route to market for some large, industrial gas users that have the flexibility to sacrifice consumption in excess of 100,000 kWh/meter point/day.

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



There are very few ceramic manufacturing sites that would be able to meet the 100,000 kWh/meter point/day minimum offer size. We believe that aggregation across smaller sites is required to increase participation levels (see response to question 4). The extent to which this route to market is likely to be exploited by other large, industrial gas users is not clear and is likely to depend on the contractual terms available.

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?



BCC agrees that the proposed DSR Framework and Methodology would not preclude the emergence of further commercial interruption arrangements.

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?





No comment.







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?



No comment.

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?  

BCC's long-standing position is for investment in measures that improve the physical availability of gas, principally additional gas storage, rather than complex market-based instruments (e.g. cash-out) that offer limited potential for our sector.

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.      

No comment.