

Pre-mod discussion: Removal of 7 day rolling gas DSR offers



National Grid

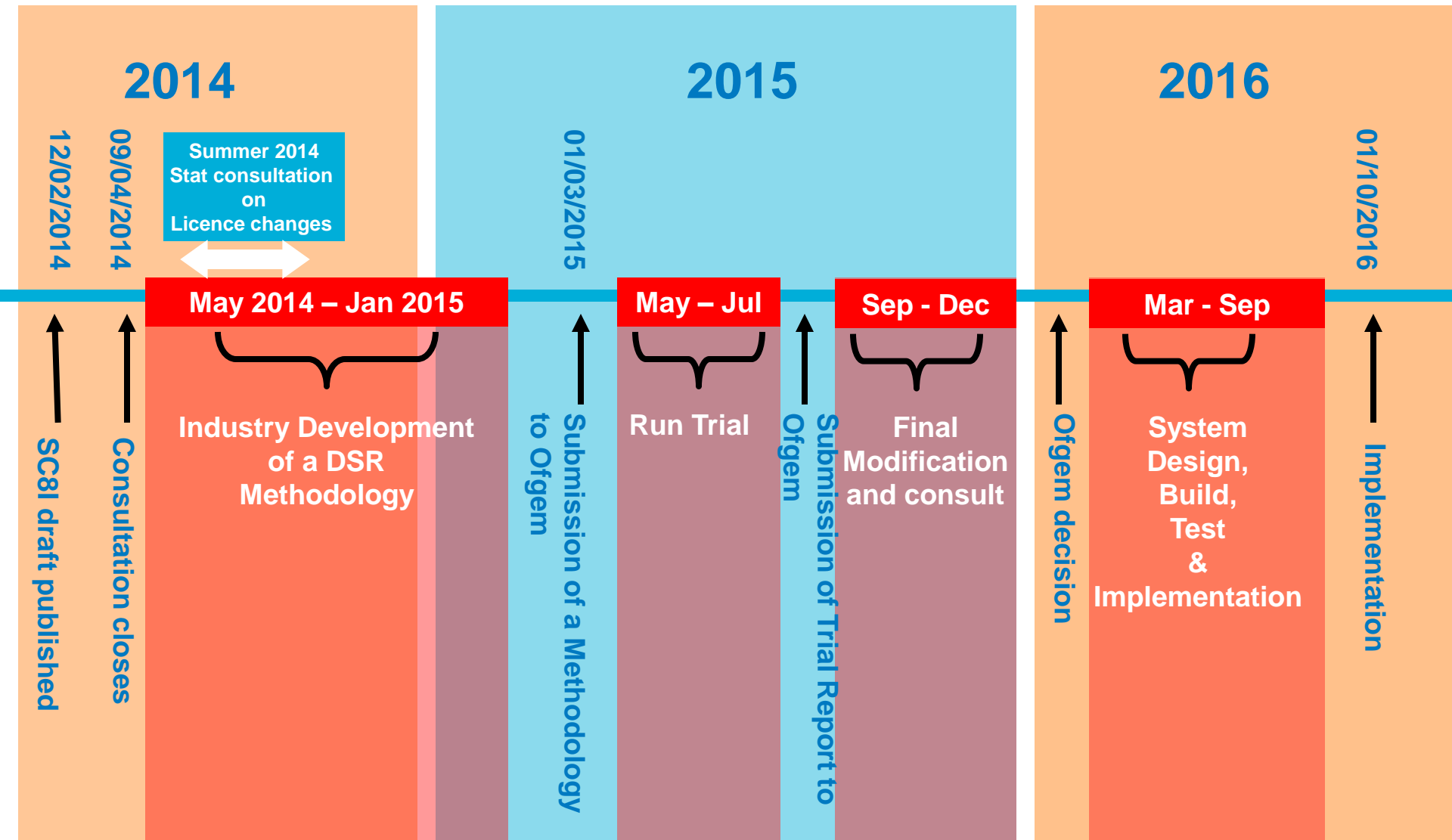
Agenda

- Background
- Gas DSR methodology consultation
 - Reasons for change
- Potential changes required to UNC
- Steer from TX workgroup on way forward

Refresh of gas DSR development



DSR Overview



Gas DSR Methodology Consultation

DSR implementation status

- The implementation of gas DSR is centred around changes to the OCM Locational Market
- We have been working with ICE Endex (Market Operator) to implement gas DSR by 1 October 2016
- During detailed design ICE Endex identified barriers in implementing the ability to place 7 day rolling offers on the OCM:
 - Financial – 25-35% uplift to annual OCM membership fees over a 5 year period
 - Regulatory – spot trading (MiFID)

Gas DSR Methodology Consultation

- Having informally canvassed views and in light of these barriers we believe it is right to remove this functionality
- We have launched a [gas DSR methodology consultation](#) to seek industry views
- Deadline for responses 14 June
- Ofgem decision 19 July

For clarity, gas DSR will be implemented by 1 October 2016 with no adverse impact on the ability of participants to place offers to “turn down” in times of system stress.

Potential changes required to UNC

Removal of 7 day rolling gas DSR offers

- Subject to the findings of the gas DSR methodology and subsequent Ofgem decision, changes may be required to UNC
- Any UNC changes will need to be in place by 1 October 2016
- Our current proposals would envisage a change to the legal text introduced by mod 0504. Namely the part removal of Section D 5.1.2 (b)

Trading Participants shall indicate for any Market Offer to effect a Locational Market Transaction that is posted on the Trading System whether such Market Offer is a DSR Market Offer and ~~whether such Market Offer is to be automatically rolled over by the Trading System Operator on a weekly basis until such time as it is accepted;~~

Way forward?

- Our expectation is that any subsequent modification will be subject self-governance. Do you agree?
- We are seeking views on the most transparent and efficient way to implement the modification by 1 October
- Three options:
 - Option 1 - Submit to June panel, seeking a workgroup discussion before going to consultation
 - Option 2 – Submit to July panel, straight to consultation (subject to methodology change and Ofgem decision)
 - Option 3 – Raise as urgent modification

Views welcome from TX workgroup.

Possible timelines

Work stream	Actions	30-May-16	06-Jun-16	13-Jun-16	20-Jun-16	11-Jul-16	18-Jul-16	25-Jul-16	01-Aug-16	08-Aug-16	15-Aug-16	22-Aug-16	29-Aug-16	05-Sep-16	12-Sep-16	19-Sep-16	25-Sep-16			
		5	6	7	8	11	12	13	14	15	16	17	18	19	20	21	22			
		M	T	W	T	F	M	T	W	T	F	M	T	W	T	F	M	T	W	T
DSR methodology	Mailchimp																			
	Consultation period	█	█	█	█															
	Report to Ofgem				█															
	Decision from Ofgem						█													
UNC modification	Modification submission		█																	
	Discussion at panel			█			█			█					█					
	Mod working group meeting																			
	Modification consultation																			
	Ofgem decision																			

Possible UNC consultation dates

Latest submission to Ofgem if decision is required

Appendix

Customer perspective

- DSR methodology developed May 2014 – Jan 2015
- Industry engagement on the methodology development:
 - End Users / Consumer Associations
 - Shippers
 - Ofgem
 - ICE Endex
- Main drivers from industry:
 - Cost effective implementation - recognition that the solution will be limited in use
 - NG exercise offers only – mistrust between end users and shippers
 - Product payment – exercise only

Methodology solution

- Following engagement with ICE Endex it was recognised that the adaptation of the OCM locational market was the best fit to deliver gas DSR
 - Utilises existing functionality, more cost effective than building a new platform
 - Already facilitates flexible trades and feeds into cashout
 - Expected “minor” changes required to the locational market

Large end consumers requests:

- Flexibility to better tailor DSR offers to their manufacturing processes
 - Different shift profiles throughout the week
- Limited resource to consistently evaluate DSR offers. Ability to place “sleeper bids” through the winter period
 - Introduction of tick box to continuously rollover bids until accepted

DSR - Methodology Design

- DSR Offers ✓
 - Submitted onto the market at any point by a Shipper for an eligible supply point with an annual quantity of greater than 58,600,000 kWh
 - Only accepted Post a Gas Deficit Warning (GDW)
 - Will not be visible to the market until the GDW is declared; and
 - Offers can be updated at any point up until an Offer is accepted, the GDW is withdrawn or Stage 2 GDE is declared
 - Offer prices held in price stack order – lowest price in stack accepted first
- National Grid NTS can only accept DSR Offers ✓
- Offers accepted within Stage 1, but on the Day of entry into GDE stage 2 will be obligated to remain off until instructed back on ✓

DSR – offer submission

- There are a number of ways that a DSR offer can be submitted: ✓
 - Daily (current functionality allows day-ahead and within-day); or
 - Multiday (again current functionality allows this)
- In addition, DSR methodology and mod 0504 introduced the following functionality: ✗
 - Daily offers up to 7 days in which Shippers can submit differing values for each day of the week if required; and
 - Roll-over of 7 day profile

ICE Endex have highlighted that there are potential regulatory and financial barriers in implementing this functionality.

Example: 7 Day profile

- Ability to introduce 7 separate daily offers (profiled offer)

Date	Offer / therms	Date	Offer / therms
Monday	24,000	Friday	24,000
Tuesday	12,000	Saturday	6,000
Wednesday	24,000	Sunday	6,000
Thursday	12,000		

- Ability to rollover offers until accepted

