

UNC Workgroup 0504 Minutes
Demand Side Response (DSR) Methodology Implementation
Wednesday 04 November 2015
31 Homer Road, Solihull B91 3LT

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Andrew McDermott	(AM)	British Ceramic Confederation
Angharad Williams	(AW)	National Grid NTS
Audrey Nugent	(AN)	Chemical Industries Association
Charles Ruffell	(CR)	RWEST
Debbie Brace	(DB)	National Grid NTS
Eddie Proffitt	(EP)	MEUC
Gareth Davies	(GD)	National Grid NTS
Graham Jack	(GJ)	Centrica
Julie Cox*	(JCx)	Energy UK
Richard Fairholme*	(RF)	E.ON
Terry Burke*	(TB)	Statoil
Tom Farmer*	(TF)	Ofgem

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0504/041115>

The Workgroup Report will be presented at the UNC Modification Panel on 19 November 2015

1. Introduction and Status Review**1.1. Approval of Minutes (07 October 2015)**

The minutes of the previous meeting were approved.

Actions

1001: National Grid NTS (GD) to provide some bid acceptance methodology formula examples. **Update:** See item 2.0. **Closed**

Bid Acceptance Methodology Formula

GD provided the Bid Acceptance Methodology Formula Examples and summarised how multiday trades would work in practise once a GDW has been declared.

GD clarified that the weighting factors are calculated based on the probabilities of a GDW over the multi-day trade period. National Grid NTS determine probability based on the individual circumstances of each event. Weighting factors will be published on each gas day for which a GDW is issued at least 30 minutes before accepting an offer.

The Weighting factors will be published at: <http://www2.nationalgrid.com/uk/industry-information/gas-transmission-system-operations/balancing/over-the-counter-and-multi-day-trades/>

EP expressed concern about rejecting multi-day bids if gas deficiency is only anticipated for a single day, when in reality it could extend into another day. He also expressed concern about the ability to impact the percentage of the trade price being applied. Referring to example 1 where, by day 3, the party would only receive 4% compared to 80% on day 1. He highlighted that parties could easily bid a single day offers for each day and receive a higher price.

GD explained that if National Grid doesn't weight the trades this could artificially set the trade price high. He clarified that the incentive is for the industry to offer gas early.

As these examples only clarified how the UNC operates currently the Workgroup agreed not to incorporate them into the Workgroup Report. It was suggested if these examples were to be made available they would require further narrative.

Referring to the OTC documents published on the National Grid website for multiday trades, JCx enquired if there would be any required changes due to the introduction of DSR. GD did not anticipate any changes for this modification however National Grid would consider reviewing the OTC documents.

2. Modification Amendments

DB confirmed an amended modification had been submitted. The Workgroup considered all the amendments.

EP enquired about the eligibility criteria, expressing concern about the ability for power generators to use DSR when there were other routes for generators and challenged if this was the real intention. TF was satisfied that the mechanism is no more attractive than the current OCM and Ofgem were satisfied that the arrangements should not pull liquidity away from it. He believed it would be difficult to draw conclusions from the trial, on the use of the methodology, when the trial was primarily about identifying potential problems with the methodology, rather than an assessment of the likely participants.

JCx wished to clarify what information National Grid NTS would get to see and when. It was clarified that once a GDW is declared the offers would be visible.

The Workgroup considered the tick down process and the expectation that the tick down would result in the same volume being taken for each hour. The Workgroup considered the current system operation and the minimum 100,000kWhs volume. GD clarified bids need to provide a minimum volume of 100,000kWhs. If a bid of a 100,000kWhs with a tick down rate, is not accepted at the beginning of day, the offer would disappear from the stack, as the tick down would affect the ability to take all the gas offered.

GJ asked what would happen to a multi-day offer if a tick-down option meant that the usable energy quantity on day 1 falls below the 100,000 kWh/day minimum threshold – would the whole offer be rejected on this basis? GD confirmed it would.

DB clarified that lead times can be provided as part of the locational trade. Shippers have the potential within the system to provide details of the notification period required to start reducing gas offtaken.

JCx enquired if the information anticipated for the annual report would be daily, monthly or yearly data. She suggested that for granularity the information might wish to be collected and summarised on a monthly basis.

GD explained the principle was to put an obligation on ICE Endex to produce and provide reports to Ofgem and National Grid NTS. National Grid NTS would contract with ICE Endex as to the detail needed in the report to enable an appropriate assessment of market activity. It was agreed that the UNC would have a requirement for ICE Endex to produce reports once a year but not detail, within the UNC, what would be contained in the report. This would allow greater flexibility.

LJ clarified that the principle of placing an obligation on ICE Endex to produce a report for Ofgem directly and a report for National Grid NTS was to enable the industry to assess the activity of offers, as this would not be available to National Grid NTS unless a GDW is declared. The Workgroup considered the likely content of the report and granularity of data. It was suggested that National Grid NTS would require a least a summary of monthly activity rather than a simple annual snapshot.

The Workgroup considered the relevant objectives. LJ explained why modifications need to be assessed against the relevant objectives set out in the Transporter's licence, he

provided a high level overview of each of the objectives and how they related to this modification.

DB explained the implementation plan was devised to provide certainty to Shippers and allow forward negotiation of contracts ahead of the ability to post offers. It was clarified that the system functionality will be made available by the 01 October 2016. GD explained that a flag would need to be added to the system to allow bids to be marked as DSR offers.

3. Legal text

DB confirmed that the DSR Methodology is published on the National Grid NTS website at: <http://www2.nationalgrid.com/UK/Industry-information/Gas-transmission-system-operations/Balancing/Gas-DSR/>

The Workgroup considered the provided Legal Text to assess that it translated the modification's solution correctly.

TPD Section D

DB explained that new Section 5 Voluntary Demand Side Response would need to be inserted.

It was suggested that further consideration is given to some of the terminology used in certain sections particularly relating to National Grid NTS accepting offers and whether "will" should be used and not "may". GD made a note of the suggestions and agreed to go through all of these with the lawyer.

The Workgroup considered the definition of 'Trading Participants' and whether a new defined term would be required for DSR as the current defined term may not exclude traders.

It was suggested that the visibility and acceptance of offers is separated to clarify that National Grid NTS shall not have visibility of DSR Market Offers until GDW, separately to National Grid NTS considering and accepting offers.

GJ suggested the visibility of DSR Market Offers should be clarified further so National Grid NTS can only see offers relating to the enacted GDW ie. National Grid should not be able to see all future offers.

The date and period of reporting was considered and whether the report ought to be produced for a financial year, ending 31 March rather than 30 August, this would allow the consideration of the winter period, and planning for the forthcoming 'contracting season', to occur at an appropriate time. It was agreed that transitional text would not be required for the first year of operation where a full-year report could not be provided.

The Workgroup considered the Suspension of the DSR Methodology and that this is required within the licence. It was suggested that the modification might wish to make it explicitly clear this is a complete suspension of the mechanism and not the end of the methodology being used following a GDW. TB also suggested that National Grid NTS ought to consider the method of communication for the cessation and whether ANS should be used. JCx suggested the normal route for communicating a GDW would be the most appropriate means of communication.

TPD Section Q

AW summarised the changes required. The Workgroup provided no further comments.

TPD Section V

AW summarised the changes required. The Workgroup provided no further comments.

4. Workgroup Report

The Workgroup considered the content of the Workgroup Report

GJ asked if National Grid NTS were aware of any concerns from the Distribution Networks. GD explained the DNOs have expressed some concerns relating to the OCM, not DSR, which are being considered.

5. Any Other Business

No additional business raised.

6. Next Steps

LJ summarised that a number of non-material changes would be required to the modification and legal text. The Workgroup were satisfied that with the extent of changes required and it would not be necessary for the Workgroup to meet again and review the changes. It was therefore agreed that the Workgroup Report would be concluded and legal text updated in time for the UNC Panel meeting to consider issuing the Modification to Consultation on the 19 November 2015. The aim would be to conclude the Consultation by 10 December 2015 and allow the Panel to consider the representations on 17 December 2015.

7. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

No further meeting required:

Time / Date	Venue	Workgroup Programme
10:30 Tuesday 01 December 2015	CANCELLED	

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1001	07/10/15	1.2	National Grid NTS (GD) to provide some bid acceptance methodology formula examples.	National Grid NTS (GD)	Closed