

**UNC Workgroup 0504 Minutes**  
**Demand Side Response (DSR) Methodology Implementation**  
**Wednesday 07 October 2015**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Les Jenkins (Chair)	(LJ)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Angharad Williams	(AW)	National Grid NTS
Charles Ruffell	(CR)	RWEST
Debbie Brace	(DB)	National Grid NTS
Eddie Proffitt	(EP)	MEUC
Gareth Davies	(GD)	National Grid NTS
Graham Jack	(GJ)	Centrica
Jeff Chandler*	(JCh)	SSE
Julie Cox*	(JCx)	Energy UK
Terry Burke*	(TB)	Statoil
Tom Farmer*	(TF)	Ofgem

\* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0504/071015>

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 December 2015

**1. Introduction and Status Review****1.1. Approval of Minutes (22 September 2015)**

The minutes of the previous meeting were approved.

**1.2. Actions**

**0901:** National Grid NTS to provide a summary of the bid acceptance methodology for parties to understand the weighting system that will apply to bids/offers

**Update:** GD confirmed that multi-day balancing actions are covered within UNC TPD Section D. He provided a presentation confirming that multi-day balancing actions are given a weighting and will be applied to the first day of any multiday trade to derive the revised prices. The weighting factors will be published at least 30 minutes before accepting an offer on each gas day for which a GDW is issued. GD provided the formula for calculating the market offer price and a link to the weighting factors that will be published.

GJ expressed concern that customers would find it difficult to pitch their bids without some form of visibility. EP suggested the lack of visibility would also be a barrier to entry for some parties. JCx also asked about National Grid NTS having to guess the severity of an emergency. LJ believed that the concerns being expressed were centred on bidding strategies, rather than a challenge to the methodology. GD offered to provide some worked up examples if this would be beneficial to the Workgroup. GJ expressed an interest in seeing some examples.

CR enquired if National Grid NTS would be providing Ofgem with an annual report on the number of bids placed on the system. TF believed there would be two types of report to allow Ofgem to monitor, analyse, consider trends in how the mechanism is being used and review whether changes may be required. DB advised that this was included in the modification and was still being considered. **Closed**

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## **New Action 1001: GD to provide some bid acceptance methodology formula examples.**

**0902:** National Grid NTS to consider formulating a FAQ / Guidance Document to provide clear guidance to parties in addition to the Methodology.

**Update:** GD confirmed that a set of FAQs had been previously developed. He provided these for the Workgroup to consider and welcomed feedback as to whether these remain relevant.

The Workgroup considered the set of questions and whether they were detailed enough and who the target audience would be. It was agreed that the primary audience would be the end consumer and the answers may need to be reworded to account for this.

A number of suggestions were made to add further clarity. EP requested if information on notice periods and tick down applications could be included. He recognised that the methodology already covers this but he believed it would be beneficial for customers. It was also considered whether clarification on the funding should be added. TB requested more detail/clarity on; cash-out prices; the OCM; within day and day ahead, multi-day actions and the setting of SMP. GD clarified that the SMP will be visible next day via Gemini and the OCM.

The Workgroup considered the current multi-day bids and the transparency of future SMP prices, EP highlighted the danger of an artificial buy price and the possibility that parties may go long and the ability to make substantial financial gain. National Grid NTS should consider the potential of a high buy price and the risk of high cash out prices. It was agreed that this would be raised as a new issue (ISS 0067) with a medium priority and referred to the November Transmission Workgroup for further consideration.

The Workgroup briefly considered the management of Bank Holidays on the mechanism and that in effect, these would be invisible. An FAQ would be included.

EP suggested a question should be added about the liabilities and possible penalties if a party fails to turn down. EP highlighted under prior arrangements there was an incentive penalty. The Workgroup considered the potential imbalance charges that could be incurred and how these could be levied to the defaulting party. The topic was felt to be problematic because of the range of potential causes, impacts and remedies of a breach and this was left with National Grid NTS to consider further. **Closed**

## **2. Consideration of amended modification**

DB confirmed a draft-amended modification had been produced for consideration at today's meeting. The Workgroup agreed to consider and provide feedback on the modification to enable formal amendment.

The Workgroup discussed the impact to parties, in particular to the DNOs. It was agreed that National Grid NTS should clearly explain the impacts within the impact section.

The Workgroup considered the early implementation of the modification to provide surety to all parties and having a separate effective date whereby bids can be entered and accepted by National Grid NTS from the 01 October 2016.

The Workgroup reviewed the details of the solution, the suggested defined terms, and how the methodology would work. JCx asked about locational offers and the visibility of these. It was agreed National Grid NTS should add further clarity about the visibility of locational bids. JCx also asked about the references currently in the UNC to locational trades and the connections to DSR. It was agreed that National Grid NTS would need to consider and provide further clarification for the legal text.

Referring to the suspension and termination of DSR, JCx asked about the necessity to provide a link within the UNC when this was already part of the licence. It was suggested

this could be dealt with simply by providing a legal text paragraph to confirm within the UNC that, upon direction from Ofgem, the DSR methodology can be suspended.

The annual reporting was considered and whether there ought to be an obligation to provide reports within the UNC. The extent of the reports produced by ICE Endex was considered and whether in addition to the Ofgem report, a further high level anonymised report could be produced by ICE Endex for the industry to assess activity.

JCx enquired about the transparency of the system development costs. It was confirmed as this was not intended to be a User Pays modification and the costs would be borne by National Grid NTS, these would not be provided. LJ reassured parties that ultimately all costs are scrutinised through Price Control Reviews.

The Workgroup considered how the modification better facilitates the relevant objectives a), b), c) and e). National Grid NTS agreed to consider these further.

National Grid NTS agreed to amend the modification inline with today's discussions and submit a formal amendment.

### 3. Any Other Business

#### 3.1. Standard Contract Terms

GD wished to reemphasise that it is not within National Grid NTS remit to impose contract terms. However, some guidance had been considered as part of DSR development. He referred parties to Appendix 6 of the Gas Demand Side Response Consultation Document.

### 4. Next Steps

National Grid NTS to formally amend the modification and consider the required business rules and legal text for the November meeting. The Workgroup will aim to conclude the Workgroup Report on 04 November 2015, however a provisional meeting of 01 December has been scheduled.

### 5. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Wednesday 04 November 2015	31 Homer Road, Solihull, B91 3LT	Bid Acceptance Methodology Formula Consider Modification amendments Consider Business Rules Consider Legal Text Development of Workgroup Report
10:30 Tuesday 01 December 2015	31 Homer Road, Solihull, B91 3LT	Provisional Meeting to: Finalise Workgroup Report

#### Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0901	22/09/15	1.0	National Grid NTS to provide a summary of the bid acceptance methodology for parties to understand the weighting system that will apply to	National Grid NTS (GD)	Closed

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			bids/offers.		
<b>0902</b>	22/09/15	3.0	National Grid NTS to consider formulating a FAQ / Guidance Document to provide clear guidance to parties in addition to the Methodology.	National Grid NTS (GD)	<b>Closed</b>
<b>1001</b>	07/10/15	1.2	GD to provide some bid acceptance methodology formula examples.	National Grid NTS (GD)	<b>Pending</b>