

UNC Demand Side Response Workgroup 0504 Minutes
Tuesday 22 September 2015
31 Homer Road, Solihull B91 3LT

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Amy O'Mahoney	(AOM)	Ofgem
Angharad Williams	(AW)	National Grid NTS
Charles Ruffell	(CR)	RWEST
Debbie Brace	(DB)	National Grid NTS
Debbie Mulinganie*	(DM)	BP
Eddie Proffitt	(EP)	MEUC
Gareth Davies	(GD)	National Grid NTS
Graham Jack	(GJ)	Centrica
Jeff Chandler	(JCh)	SSE
John Costa	(JC)	EDF Energy
Julie Cox*	(JCx)	Energy UK
Naomi Nathanael	(NN)	Plus Shipping
Sarah Arnold	(SA)	National Grid NTS
Steve Mulinganie*	(SM)	Gazprom
Terry Burke	(TB)	Statoil

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0504/220915>

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

1. Introduction and Status Review

LJ outlined the current status of the Demand Side Response (DSR) Workgroup. He confirmed a letter had been published Ofgem's direction to proceed at: <https://www.ofgem.gov.uk/publications-and-updates/direction-national-grid-gas-plc-implement-demand-side-response-methodology>

LJ reminded parties that the scope and responsibility of the Workgroup is to concentrate on what is required to implement the methodology into the UNC, not to question the Methodology that has been approved. He confirmed that National Grid NTS would have additional elements to consider outside of the Workgroup.

LJ explained that National Grid NTS would need to amend the modification to address how the Methodology will be implemented into the UNC. GD confirmed that the Workgroup would need to consider the aspects of implementation; obligations on Shippers and Transporters; and the possibility of a supporting guidance document. GD confirmed National Grid NTS would amend the 0504 modification by 29 September.

GD provided a Demand Side Response Implementation Presentation, which summarised the background to the methodology development and gave an overview of the mechanism.

SM asked about the fluidity of prices and the stacks, he wished to understand if parties could change offer prices before acceptance. GD confirmed that the prices are fluid until the bids are accepted and outlined how National Grid will consider the price and the volume of gas offered. He explained that National Grid must ensure that any action they take at Stage 1 is equitable, the price and the volume of gas required will be considered.

GD further explained the differences between Stage 1 and Stage 2. He clarified at Stage 2 National Grid are 'no longer in the market'. If Stage 2 is entered Shippers will be paid 30-day average SAP.

SM enquired about the multi day scenarios and if Stage 1 stays active for the whole period. GD explained that if a multi day bid is accepted on a day that changes to Stage 2 the Shippers will be paid for the term of that bid even if National Grid enter into Stage 2. He clarified that National Grid will honour the price and term of the bid accepted.

GD explained that National Grid would use a methodology to weight the bid and pricing impact. A number of Shippers expressed an interest in understanding this methodology further. GD agreed to provide a summary of the bid acceptance methodology.

Action 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.

SM asked about the possibility of entering multiple offers to the OCM. GD explained that a site could enter a small amount of gas at one price for particular processes that can easily shut down and, for processes that may not be so easily shut down, a tranche can be entered at a different price to take into account the impact it would have on their business.

JCh asked about the sanctions for parties not delivering gas. GJ understood there would be a licence requirement for parties to deliver to the commitment entered. It was recognised and acknowledged that any bidding strategy must be deliverable.

TB asked about the restoration process. GD explained this resides outside of the DSR methodology. Stage 4 restorations are out of scope of this Workgroup as DSR is about trying to avoid entering Stage 2.

GD provided a summary of the DSR settlement arrangements. For each day, prior to the end of GDE Stage 1, where the DSR Offer has been exercised, the DSR exercise will be regarded as a Market Balancing Action. In respect of the Shipper/Supplier to the Customer; payment for DSR exercised trades will be settled in accordance with the relevant DSR Service Contract; and in accordance with the provisions set out in the proposed modification to the Shipper Licence Condition 15A and the Gas Supply Licence.

GD also summarised the governance arrangements for the DSR Methodology, UNC TPD provisions, Shipper Licence, and DSR Service Contracts. He clarified that the Methodology will be governed by the Transporter's licence; and the arrangements will be governed by the UNC.

GD explained that the DSR Service Contracts would be individual to affected parties. The Workgroup considered these contracts further and whether, as part of the Methodology, a standard contract should be formulated.

CR recalled that, as part of the development of the DSR Methodology, discussions were held on whether there ought to be a set of principles or minimal terms for such contracts. He clarified that if parties wanted to offer more than the minimal terms this would be negotiable between the relevant parties.

LJ reminded the meeting that this had been clarified in National Grid NTS' March 2015 Report to Ofgem, with the conclusion that this was not an appropriate action for National Grid NTS; if Shippers wanted to develop a standard contract this should be led by the Shippers. GD clarified that National Grid NTS will not be developing standard contract terms for Shippers.

LJ confirmed that Shippers were welcome to bring a standard contract to the table for consideration by the Workgroup.

GD summarised the concerns raised during the Methodology stage. These included the Shipper/Supplier and DSR Service agreements, the use of option fees, visibility of DSR offers post the Gas Deficit Warning, and the aggregation of DSR offers at smaller supply points. The Workgroup considered each concern raised and conclusions / recommendations provided by National Grid.

2. DSR Product Trial Overview

SA provided an overview of the DSR Trial, this included the background, trial scenarios, the actual trial process, and the results from phase 1 and 2 trials.

EP expressed concern about the extensive involvement of generators. AOM explained although there was a relatively small sample size, there was a good spread of participant categories, she explained that Ofgem 'took comfort' that different parties did participate within the trial and that no party was excluded.

SM expressed a view that in reality the generators are the only players for this market, and questioned whether the industry was happy creating a structure that draws generators into the market. EP was also concerned about the unintended consequences and undermining the capacity market by involving generators. EP believed there should be a ban on generators being involved.

LJ acknowledged the concerns, reminding participants that these were for Ofgem's attention and should not divert the workgroup from the Direction provided.

3. Proposed Timeline and Approach – required UNC Changes (Modification 0504 - Development of a Demand Side Response Methodology for use after a Gas Deficit Warning)

The Workgroup briefly considered the required amendments to Modification 0504 to implement the DSR Methodology into the UNC. National Grid NTS welcomed suggestions on the areas parties would like further clarity within the modification. It was anticipated an amended modification would be provided by 29 September to allow further consideration on 07 October.

SM asked for National Grid NTS to consider how the UNC would obligate Shippers. Suggestions were also made for the modification to cover the posting and accepting of offers and payments.

SM also suggested that National Grid NTS consider the production of a Guidance Document, in plain English, to enable parties to understand the operational process.

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

GJ asked National Grid NTS to consider the potential impact of new or multiple operator platforms referring to Request 0555R - Review of the Market Operator (OCM) Provision.

GJ also asked about the visibility of the bids to Ofgem for monitoring of the effectiveness of the Methodology (in the absence of its actual use). GD explained that this is being considered to find an appropriate solution.

LJ encouraged parties to have an open dialogue with National Grid NTS on any further elements Shippers would like in the modification that were in line with the Methodology, to ensure that the amended modification was sufficiently drafted by 29 September.

4. Any Other Business

None raised.

5. Next Steps

National Grid NTS to amend the modification by 29 September with a view of considering the business rules and legal text in November. The Workgroup will aim to conclude the Workgroup Report on 01 December 2015.

6. Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Wednesday 07 October 2015	31 Homer Road, Solihull, B91 3LT	Consider Amended Modification 0504 Introduction / Development of Workgroup Report
10:30 Wednesday 04 November 2015	31 Homer Road, Solihull, B91 3LT	Consider Business Rules Consider Legal Text Development of Workgroup Report
10:30 Tuesday 01 December 2015	31 Homer Road, Solihull, B91 3LT	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 bids/offers.	National Grid NTS (GD)	Pending
0902	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)	Pending