

MODIFICATION 0822

REFORM OF GAS DEMAND SIDE RESPONSE ARRANGEMENTS

UNIFORM NETWORK CODE

Legal Drafting

TRANSPORTATION PRINCIPAL DOCUMENT

SECTION D – OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

Delete all text at existing paragraph 5.1.1(d) and insert new text to read as follows:

5.1.1 ...

- (d) **“Voluntary DSR Period”** is the period:
 - (i) starting at the time at which either:
 - (1) a Margins Notice is issued by National Grid NTS in accordance with Section V5.9.4(b); or
 - (2) a Gas Balancing Notification is issued by National Grid NTS in accordance with Section V5.9.7; and
 - (ii) ending at the earlier to occur of:
 - (1) in a case within paragraph (i)(1), but subject to any intervening case within paragraph (i)(2), the end of the Day to which the Margins Notice relates;
 - (2) in a case within paragraph (i)(2), including where the Gas Balancing Notification was issued during a Voluntary DSR Period within paragraph (i)(1), the issue by National Grid NTS of a GBN Withdrawal Notice in accordance with Section V5.9.6;
 - (3) in either case, the declaration by the NEC of Stage 2 of a Gas Deficit Emergency;

Insert new paragraph 7 to read as follows:

7 DSR Options

7.1 General

7.1.1 This paragraph 7 sets out the basis on which Users may enter into commitments with National Grid NTS to post DSR Market Offers during Voluntary DSR Periods.

7.1.2 In this paragraph 7:

- (a) a "**DSR Option**" is a commitment from the Registered User of an eligible Supply Point to post DSR Market Offers in a particular Winter Period in accordance with paragraph 7.6;
- (b) a "**DSR Option Offer**" is an offer made by a User to National Grid NTS to enter into a DSR Option;
- (c) a "**WD**" or a "**DA**" DSR Option Offer is a DSR Option Offer respectively for a Within-Day Option or a Day-Ahead Option (as provided in paragraph 7.4.1(i));
- (d) acceptance of a DSR Market Offer (in accordance with paragraph 5 of Annex D-1) posted under a DSR Option is also referred to as "**exercise**" of the DSR Option;
- (e) the "**Option Quantity**" in respect of a DSR Option or DSR Option Offer is the Market Offer Specified Quantity under the DSR Market Offer to be posted pursuant to such option;
- (f) a Supply Point is "**eligible**" where it is a DMC Supply Point with an Annual Quantity not less than 58,600,000 kWh (2,000,000 therms);
- (g) "**Option Selection Guidance**" means the guidance in the DSR Methodology as to the selection of DSR Options for acceptance.

7.2 Option Pricing

7.2.1 In respect of a DSR Option:

- (a) the "**Option Price**" is the price (in p/kWh) payable to a User for entering into the DSR Option;
- (b) the "**Option Fee**" is the amount (in £) calculated as the Option Price multiplied by the Option Quantity;
- (c) the "**Exercise Price**" is the price (in p/kWh) payable to a User in respect of a Day when the DSR Option is exercised.

7.2.2 The Exercise Price may be expressed (at the User's election):

- (a) as a fixed amount (in p/kWh);
- (b) as a price to be determined in respect of a Day (D) on which the DSR Option is exercised, in the form of the term $(F * SAP)$, where:
 - (i) SAP is the System Average Price on the Day D-1;
 - (ii) F is a positive number (stated to two decimal places) specified by the User.

7.2.3 In respect of a DSR Option Offer, the "**Combined Price**" is the sum of the Option Price and the Exercise Price.

7.2.4 For the purposes of determining the Combined Price, where the Exercise Price is expressed in the form in paragraph 7.2.2(b), National Grid NTS will determine a deemed value of SAP as the forward price for gas, for the winter corresponding to the relevant Winter Period, published

in the Argus European Natural Gas Report on or most recently before the invitation close date.

7.3 Annual DSR Option Invitation

7.3.1 National Grid NTS will, no later than 31 August in each Gas Year (Y-1), issue to all Users an invitation (**DSR Option Invitation**) to submit DSR Option Offers in respect of the Winter Periods of Gas Years Y, Y+1 and Y+2.

7.3.2 The DSR Option Invitation will specify:

- (a) the Winter Periods to which it applies;
- (b) the day by which DSR Option Offers may be made ("**invitation close date**"), which shall not be less than 15 Business Days from the date the invitation is issued;
- (c) the form in which a DSR Option Offer must be made;
- (d) such other matters (consistent with this paragraph 7) as National Grid NTS decides.

7.4 DSR Option Offers

7.4.1 A DSR Option Offer shall specify:

- (a) the identity of the User submitting the offer;
- (b) the eligible Supply Point (for which the User is Registered User) in respect of which the offer is made;
- (c) the prevailing Annual Quantity of that Supply Point;
- (d) the Winter Period for which the offer is made;
- (e) whether the offer is Linked (as provided in paragraph 7.4.2(c)) to any other DSR Option Offer;
- (f) the Option Quantity (in kWh) for which the offer is made, which shall not be less than 100,000 kWh;
- (g) the Option Price;
- (h) the Exercise Price (by specifying the value of 'F', in a case where the User elects the form in paragraph 7.2.2(b));
- (i) whether the option is a "**Within-Day Option**" or a "**Day-Ahead Option**" for the purposes of paragraph 7.6.5;
- (j) in the case of a Within-Day Option, the Market Transaction Lead Time for the purposes of paragraph 7.6.4(b)(ii), which shall not exceed 6 hours.

7.4.2 A User may, in respect of a given Supply Point:

- (a) submit DSR Option Offers for any or all of the relevant Winter Periods (but a separate offer must be submitted for each such period);

- (b) submit more than one DSR Option Offer for the same Winter Period, in respect of different DSR tranches;
- (c) specify that two or more such DSR Option Offers are "**Linked**" (in which case none of them may be accepted unless all are).

7.4.3 Any DSR Option Offer which is not submitted in accordance with the requirements of this paragraph 7.4 and the DSR Option Invitation is not compliant and will not be eligible for acceptance.

7.4.4 A User may withdraw or modify a DSR Option Offer up to 17:00 hours on the invitation close date but not after that time.

7.5 Selection and acceptance of DSR Option Offers

7.5.1 Following the invitation close date, National Grid NTS will select compliant DSR Option Offers for acceptance, for each Winter Period separately, as follows:

- (a) WD DSR Option Offers are ranked, in order of Combined Price, lowest price ranked first, and National Grid NTS decides (in accordance with the Option Selection Guidance) which of those it wishes to prioritise for selection (stack A);
- (b) the remaining WD DSR Option Offers, and all DA DSR Option Offers, collectively are ranked, in order of Combined Price, lowest price ranked first (stack B);
- (c) stack A and stack B are combined, with stack A ranking ahead of stack B;
- (d) National Grid NTS shall determine (in accordance with the Option Selection Guidance, and taking account of DSR Options entered into under previous invitations for the same Winter Period) the total amount in respect of Option Fees to be incurred under that DSR Option Invitation for that Winter Period;
- (e) DSR Option Offers are provisionally selected for acceptance, in the order ranked in the combined stack, until either:
 - (i) the aggregate of the Option Fees in respect of such offers is equal to the amount decided under paragraph (d); or
 - (ii) all of the DSR Option Offers are selected;
- (f) if, following the provisional selection, any of the provisionally selected DSR Option Offers is Linked to a DSR Option Offer which was not provisionally selected:
 - (i) that DSR Option Offer is eliminated from the combined stack;
 - (ii) the selection process in paragraph (d) is repeated;
 - (iii) where necessary, this process under this paragraph (e) will be repeated until there has been a selection round following which this paragraph (e) does not apply;
- (g) in accordance with the Option Selection Guidance, National Grid NTS will set or adjust the amount referred to in paragraph (d) so that no DSR Option Offer is selected as to part only of the Option Quantity;

- (h) the DSR Option Offers finally selected for acceptance are those selected under paragraph (f) where that paragraph applies, and otherwise those selected under paragraph (e).

7.5.2 Following the selection process under paragraph 7.5.1, National Grid NTS will, within 10 Business Days (but subject to the Option Selection Guidance) after the invitation close date:

- (a) accept the DSR Option Offers finally selected for acceptance;
- (b) notify such acceptance to each User who submitted a DSR Option Offer which was accepted, and the quantity for which it was accepted;
- (c) notify non-acceptance to each User who submitted a DSR Option Offer which was not accepted.

7.5.3 Upon acceptance by National Grid NTS of a DSR Option Offer, the DSR Option is automatically entered into and comes into force.

7.5.4 Within 5 Business Days after giving the notifications under paragraph 7.5.2, National Grid NTS shall publish the outcome of the DSR Option Invitation, specifying for each relevant Winter Period:

- (a) the total Option Quantities offered under all DSR Option Offers;
- (b) the total Option Quantities for which offers were accepted;
- (c) the number of Users submitting DSR Option Offers;
- (d) the number of Supply Points in respect of which DSR Option Offers were submitted;
- (e) the weighted average Option Price under all accepted DSR Option Offers;
- (f) the lowest and the highest Option Prices for which DSR Option Offers were accepted;
- (g) the lowest and the highest Exercise Prices for which DSR Option Offers were accepted, separately for Exercise Prices:
 - (i) under paragraph 7.2.2(a), and
 - (ii) under paragraph 7.2.2(b) (stated on the basis in paragraph 7.2.4);
- (h) the total Option Fees payable in respect of all accepted DSR Option Offers.

7.6 DSR Option and exercise

7.6.1 Subject to paragraphs 7.6.7, 7.6.8 and 7.6.9, a User may not cancel or modify a DSR Option.

7.6.2 Where a DSR Option is in force in respect of a Winter Period:

- (a) on each Day in that Winter Period which falls (partly or wholly) within a Voluntary DSR Period, the User shall:

- (i) in the case of the first such Day of such period, within 60 minutes after the time at which (in accordance with paragraph 5.1.1(d)) that Voluntary DSR Period starts, and
 - (ii) in the case of each subsequent Day (and whether or not its DSR Market Offer for any earlier such Day was accepted), by 06:00 hours on the Day
- post a DSR Market Offer;
- (b) each such DSR Market Offer must comply with paragraphs 7.6.4 and 7.6.5;
 - (c) the User may not revise or withdraw the DSR Market Offer under paragraph 4.6 of Annex D-1;
 - (d) the User may not, after the time at which a Voluntary DSR Period starts:
 - (i) in respect of the first Day for which it is required to post a DSR Market Offer (**first day**), submit a Renomination for an increased Output Nomination Quantity in respect of the Supply Point;
 - (ii) in respect of any subsequent Day for which it is required to post a DSR Market Offer:
 - (1) submit a Nomination for an Output Nomination Quantity which is greater than the Output Nomination Quantity for the first day; or
 - (2) submit a Renomination for an increased an Output Nomination Quantity
- in respect of the Supply Point.

7.6.3 If on any Day or Days (each a **failure** Day) the User fails to post a DSR Market Offer in compliance with and by the time required in paragraph 7.6.2:

- (a) the User is liable to pay to National Grid NTS an amount calculated as follows

$$OF * 1.1 * FD / TD$$

where (in relation to the relevant DSR Option):

OF is the Option Fee;

FD is the number of failure Days in the Winter Period;

TD is the total number of Days in the Winter Period on which the User was required under paragraph 7.6.2 to post a DSR Market Offer;

- (b) any amount payable by a User under paragraph (a) shall be determined by National Grid NTS and invoiced as soon as practicable following the end of the Winter Period (but if the User becomes a Discontinuing User, such amount shall then be determined and payable as if the Winter Period ended on the User Discontinuance Date);
- (c) National Grid NTS shall (when it invoices such amount) send to the User a statement of the basis on which such amount has been determined, and if the User disputes the

determination it shall notify National Grid NTS promptly and they shall endeavour in good faith to resolve the dispute;

- (d) such amount is an additional Monthly Neutrality Adjustment Revenue, in respect of month in which it is determined, for the purposes of Section F4.5.3(b)(iv).

7.6.4 Each DSR Market Offer pursuant to a DSR Option:

- (a) shall be for the relevant Supply Point;
- (b) in the case of a Within-Day Option:
 - (i) shall specify as the Market Offer Date the Day on which the DSR Option is posted;
 - (ii) shall specify the Market Transaction Lead Time offered under paragraph 7.4.1(j);
 - (iii) shall (subject to paragraph (iii)) be for a quantity that is not less than that determined as

$$\min(OQ, NQ) * H / 24$$

where:

OQ is the Option Quantity

NQ is the Nomination Quantity under the prevailing Output Nomination

H is the number of hours in the offer-available period, being the period from the time which is the Market Transaction Lead Time after submission of the DSR Market Offer, until the end of the Day;

- (iv) may specify that the quantity is to reduce pro rata over each hour of the offer-available period (but at a time on the Day at which the quantity is thereby reduced below 100,000kWh, the DSR Market Offer shall be withdrawn pursuant to paragraph 5.1.2 (c));
- (c) in the case of a Day-Ahead Option:
 - (i) shall specify as the Market Offer Date the Day after the Day on which the DSR Option is posted;
 - (ii) shall specify a Market Transaction Lead Time such that the Transaction Effective Time is 05:00 hours on D;
 - (iii) shall be for a quantity not less than the lesser of:
 - (1) the Option Quantity; and
 - (2) the Output Nomination Quantity at the time the offer is submitted;

- (d) be for a Market Offer Price not greater than the Exercise Price (determined, where specified in the DSR Option in the form in paragraph 7.2.2(b), by reference to the value of the term 'SAP' on the Day before the Day on which the offer is posted);
- (e) not be for a Multi-Day Balancing Transaction (as provided in paragraph 4);
- (f) not specify that it is only capable of acceptance in full (as provided in paragraph 4.7 of Annex D-1).

7.6.5 Where a DSR Option is in force:

- (a) the User's obligation to post DSR Market Offers is subject to the provisions of paragraph 5.1.2(a) and paragraph 4.1(c) of Annex D-1;
- (b) it is noted, for the purposes of paragraph 5.1.2(e), that National Grid NTS will have seen the DSR Market Offer in the selection process under paragraph 7.5;
- (c) if a DSR Cessation Notice is issued and while it remains in force:
 - (i) the User will not (and is not required to) post DSR Market Offers pursuant to the DSR Option;
 - (ii) Option Fee Instalments continue to be payable to the User.

7.6.6 National Grid NTS may not accept a DSR Market Offer posted pursuant to a Day-Ahead Option later than 17:00 hours on the Preceding Day.

7.6.7 Where a User which has entered into a DSR Option ceases to be the Registered User of the relevant Supply Meter Point:

- (a) the DSR Option will be terminated with effect from the Supply Point Registration Date (but without prejudice to paragraph (b), and the User will be entitled to the part of the Option Fee accruing due for payment up to, but not on and with effect from, the Supply Point Registration Date;
- (b) the User which becomes Registered User may elect, by notice to National Grid NTS given no later than the Supply Point Registration Date, that it be treated as having entered into the DSR Option (without any variation), in which case:
 - (i) with effect from the Supply Point Registration Date, that User shall be bound by the DSR Option;
 - (ii) that User will be entitled to that part of the Option Fee accruing due for payment with effect from the Supply Point Registration Date;
- (c) where the Supply Point Registration Date is not the first Day of a month, the instalment of the Option Fee in respect of that month will be apportioned for the purposes of paragraph (a) or (b) pro rata the number of Days in the month falling before, and on and after, the Supply Point Registration Date.

7.6.8 Where a DSR Option has been entered into, if the Supply Point is Isolated:

- (a) the User shall so notify National Grid NTS before or as soon as practicable after such Isolation;

- (b) the DSR Option will be terminated with effect from the date of Isolation;
- (c) the User will be entitled to the part of the Option Fee accruing due for payment up to, but not on and with effect from, the date of Isolation;
- (d) the subsequent Re-establishment of the Supply Point shall not reinstate the DSR Option (but the Registered User may participate in future DSR Option Invitations).

7.6.9 A User may cancel a DSR Option (originally offered, in an Annual Option Invitation, for the Winter Period in Year Y+1 or Y+2) by notice given to National Grid NTS not later than 31 July in the Gas Year prior to that Winter Period.

7.6.10 Where, following acceptance of a DSR Option Offer, the Annual Quantity of the Supply Point falls below the eligibility level in paragraph 7.1.2(f)), the DSR Option shall remain in force and is unaffected by such change in Annual Quantity.

7.7 Option Fees

7.7.1 Where a DSR Option is in force, National Grid NTS shall pay the Option Fee to the User in monthly instalments ("**Option Fee Instalments**") in respect of each month (m) of the relevant Winter Period.

7.7.2 Each monthly Option Fee Instalment is calculated as $(OF * DM / DWP)$, where:

OF is the Option Fee;

DM is the number of days in the relevant month;

DWP is the number of days in the Winter Period.

7.7.3 Option Fee Instalments shall be paid (at the same time as the Invoice Due Date for Energy Balancing Invoices for the relevant month) and are payable in accordance with Section S.

7.7.4 The Option Fee Instalments payable in respect of a month are additional Monthly Neutrality Adjustment Costs in respect of that month for the purposes of Section F4.5.3(a)(v).

7.7.5 For the avoidance of doubt, Option Fees are not taken account in calculating the System Average Price, the System Marginal Buy Price or the System Marginal Sell Price.

TRANSITION DOCUMENT

PART IIC – TRANSITIONAL RULES

Insert new paragraph 30 to read as follows:

30 Annual DSR Option Invitation

30.1 For the purposes of TPD Section D7.3, the first DSR Option Invitation will be in respect of Gas Years 2022/23, 2023/24 and 2024/25 and will be issued no later than 30 November of Gas Year Y (2022/23).

30.2 For the purposes of TPD Section D7.2.4, in connection with the first DSR Option Invitation, National Grid NTS will determine the deemed value of SAP for the Winter Period of Gas Year

2022/23 as the forward price for gas, for Q1 2023, published in the Argus European Natural Gas Report on or most recently before the invitation close date.