

Demand Side Response in Gas National Grid Perspective

Demand Side Working Group

28th July 2005

Demand Response

2005 Winter Outlook Report

- ◆ Average Winter
 - ◆ Supply to domestics secure
 - ◆ Average winter requires modest / no demand-side response
- ◆ Severe Winter
 - ◆ Supply to domestics secure.
 - ◆ Significant demand side response required from CCGTS and I&C

...therefore demand side very important in the market

Balancing Roles

- ◆ **Primary balancing role is with Shippers and Transco NTS has only a residual balancing role**
 - ◆ The responsibility for annual and longer term Supply & Demand balancing lies with Shippers.
 - ◆ UNC Mod 0013A: Clarifies the role of Transco v the market in securing interruption rights for supply/demand balancing
 - ◆ Interruption for S&D balancing is a primary balancing tool
 - ◆ I.e. a Shipper tool
 - ◆ Residual balancing covers On-the-day issues resulting from unexpected supply or demand variation (where Users do not respond)
 - ◆ We do not contract with end-consumers for demand response for longer term Supply & Demand balancing purposes either directly or via a Shipper.
 - ◆ We do not have a direct relationship with end-consumers at DN Supply Points and hence should not contract with them

Balancing Tools

- ◆ **OCM is the primary residual balancing tool**
 - ◆ Demand response can be offered through the OCM
 - ◆ We believe that the On-the-day Commodity Market (OCM) provides an appropriate, economic and efficient daily balancing tool to meet our residual balancing role.
- ◆ **A User can offer demand response/turn-down as a ‘disposing trade’ on the OCM**
 - ◆ Requires a User to have access to commercial interruption rights
 - ◆ Can be accepted from 12:00 on D-1.
- ◆ **Transco will use the OCM as its primary Operational Balancing tool and hence may accept such offers**

Commercial Interruption

- ◆ Consumers have expressed concerns in regard to how a Shipper might use commercial interruption and hence have suggested that NGT contract directly
- ◆ Cash-out arrangements should ensure that a Shipper will only action commercial interruption when appropriate
- ◆ We believe that Shippers may place a value on having access to commercial interruption at any price but End-consumers could expect such interruption not to be called until the SMP buy price is greater than the interruption exercise fee (unit price)

Areas for Development

- ◆ **Modifications to Market arrangements might better facilitate demand response through the OCM**

- ◆ At present offers can only be posted 7 days ahead for a single gas day
- ◆ Shippers/consumers may wish to make offers with more notice and applying over a number of days

- ◆ **Release of further information might support demand response**

- ◆ Requirement highlighted through TBE Process & Winter Outlook Report
- ◆ energywatch can raise UNC Modification Proposals covering information release such as UNC 0006 “Publication of Near Real Time Data at UK Sub-terminals”
- ◆ No further information release has been identified at this time but we welcome suggestions

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