

Gas SCR – Final Policy Decision – Gas Transporter licence condition (National Grid NTS)

Draft – for consultation (12 February 2014)

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Special Condition 8I: Development and implementation of a Demand Side Response methodology for use after a Gas Deficit Warning

Introduction

8I.1 The Licensee must:

- (a) develop a methodology (the "Demand Side Response Methodology") for assessing and accepting Demand Side Response Offers;
- (b) submit a draft Demand Side Response Methodology to the Authority for approval;
- (c) where Directed by the Authority to do so, run a trial of the approved draft Demand Side Response Methodology;
- (d) following such a trial, submit to the Authority a report on the outcome of the trial and a final version of the Demand Side Response Methodology amended to address issues identified by the Licensee during the trial; and
- (e) where Directed by the Authority to do so, implement the Demand Side Response Methodology.

Part A: Development of a Demand Side Response Methodology

8I.2 The Licensee must develop a Demand Side Response Methodology.

8I.3 The Licensee must use reasonable endeavours to ensure the Demand Side Response Methodology is in accordance with the principles set out in paragraph 8I.4 (the "Demand Side Response Methodology Principles").

8I.4 The Demand Side Response Methodology must:

- (a) ensure that any party making a Demand Side Response Offer is a party to the Uniform Network Code;
- (b) set out the criteria for determining in respect of which "DMC" Supply Point Components a party may not make Demand Side Response Offers;
- (c) allow the Licensee to accept Demand Side Response Offers only where a Gas Deficit Warning is in place;
- (d) be compatible with existing market arrangements setting out how any Demand Side Response Offers accepted by the Licensee are to be treated as Eligible Balancing Actions and included in the System Clearing Contract, System Marginal Buy Price and System Marginal Sell Price;
- (e) promote, and further facilitate, parties making Demand Side Response Offers to the Licensee through open and transparent market-based arrangements;
- (f) not unduly preclude the emergence of commercial interruption arrangements;

- (g) minimise distortions and unintended consequences on existing market arrangements and the principle of parties balancing their own positions in the wholesale gas market; and
- (h) ensure that Demand Side Response is procured in a manner consistent with the Licensee's duties under the Act and its obligations under this licence (and in particular the obligation to operate the pipe-line system in an efficient economical and co-ordinated manner).

Part B: Approval and publication of the Demand Side Response Methodology

- 8I.5 The Licensee must consult with interested parties on the draft Demand Side Response Methodology before submitting the draft Demand Side Response Methodology to the Authority no later than 1 March 2015. The draft Demand Side Response Methodology submitted by the Licensee must be accompanied by any written representations (including any proposals that have not been accepted by the Licensee) that were received from interested parties during the consultation process and have not been withdrawn.
- 8I.6 The Authority will make its decision on whether to approve the Demand Side Response Methodology within 90 days beginning on the date on which the Licensee submits the Demand Side Response Methodology, or as soon as reasonably practicable thereafter. In considering whether to approve the draft Demand Side Response Methodology, the Authority may have regard to whether it is consistent with the Demand Side Response Methodology Principles.
- 8I.7 Where the Authority approves the draft Demand Side Response Methodology, it may direct the Licensee to:
- (a) conduct a trial of the draft Demand Side Response Methodology; and
 - (b) publish the draft Demand Side Response Methodology,
- in accordance with Part C of this condition.
- 8I.8 If the Authority does not approve the draft Demand Side Response Methodology, it may Direct the Licensee to consult with interested parties and submit to the Authority for approval a revised draft Demand Side Response Methodology in accordance with any conditions and within such a timescale as may be set out in its Direction.

Part C: Trial and implementation

- 8I.9 Where the Authority directs the Licensee to conduct a trial pursuant to paragraph 8I.7 above, the Licensee must:
- (a) conduct a trial of the draft Demand Side Response Methodology in order to assess the level of cost and effectiveness of the Demand Side Response Methodology; and
 - (b) within 28 days beginning on the last day of the trial, submit to the Authority a report on the outcome of the trial and any proposed changes to the draft Demand Side Response Methodology.
- 8I.10 Following completion of the trial and the making of submissions to the Authority pursuant to paragraph 8I.9 above, unless the Authority directs otherwise, the Licensee must:

- (a) develop appropriate modifications to the Uniform Network Code and other processes and systems to enable it to implement the Demand Side Response Methodology;
- (b) once the modifications, processes and systems are complete, implement the Demand Side Response Methodology as soon as is reasonably practicable; and
- (c) publish the final Demand Side Response Methodology on its website and in such other manner as the Authority may direct.

Part D: Exception to compliance with condition

8I.11 The Licensee is not required to comply with this condition to such extent and subject to such conditions as the Authority may from time to time direct.

8I.12 The Authority may, following consultation with the Licensee and interested parties, direct that the Licensee must temporarily or permanently cease operation of the Demand Side Response Methodology.

Part E: Revising the Demand Side Response Methodology

8I.13 The Licensee must, if so directed by the Authority, and in any event at least once in each Formula Year, review and if appropriate revise its Demand Side Response Methodology in consultation with interested parties.

8I.14 The consultation must allow a period of not less than 28 days in which persons can make representations or objections to the Licensee.

8I.15 Within seven days after completing the consultation, the Licensee must send to the Authority:

- (a) a report on the outcome of the review;
- (b) a statement of any proposed revisions to the Demand Side Response Methodology that the Licensee (having regard to the outcome of the review) reasonably considers would better achieve the Demand Side Response Methodology Principles; and
- (c) any written representations or objections (including proposals for revising the statement that have not been accepted by the Licensee) that were received from interested parties during the consultation process and have not been withdrawn.

8I.16 The Licensee may revise the Demand Side Response Methodology only in accordance with any revisions set out in the statement required by paragraph 8I.15(b) and only if the Authority consents to that revision.

Part F: Interpretation

8I.17 In this condition:

“Demand Side Response” means the provision of gas to the Licensee by a contracting party in respect of a specific “DMC” Supply Point Component.

“Demand Side Response Offer” means an offer to provide Demand Side Response.

“Gas Deficit Warning”, “Eligible Balancing Actions”, “System Clearing Contract”, “System Marginal Buy Price”, “System Marginal Sell Price” and “DMC” Supply Point Component” shall bear the same meanings as are given to those terms in the Uniform Network Code.