

DBSR Question 2

Do you agree with our proposed product definition?

SGC Response

No. DBSR as outlined may in fact set a damaging precedent within potential participants that doesn't reflect the service delivery criteria being sought by future DR programmes coupled with an unsustainably high incentive.

DBSR Question 3

Do you agree with our proposed payment arrangements? Do you have any views on the proposed level of set-up payment?

SGC Response

We would prefer to see a larger commissioning payment being offered in order to support the roll out of infrastructure that would have a positive long term impact on the industry by increasing the number of 'technically able' participants who could participate in other DSR schemes after the DBSR requirement has passed. Through the investment in better infrastructure it would be easier to put in place systems that would enhance the reliability of DBSR during its operation through real-time status monitoring & metering.

Claw-back penalties would be beneficial towards ensuring limited mis-selling, only serious participants apply and establish a market precedent around 'quality of service'.

We also feel that the utilisation fee is probably over generous and again could establish a harmful precedent in the market. SGC are the commercial lead on an Ofgem LCNF tier 2 project and are recruiting participants with a payment of £300 MWh. While this is probably not sufficient for DBSR, payments in excess of £1,000 may set an expectation that makes recruitment to alternative programmes in the future more difficult at more moderate payment levels. We therefore don't agree with the overall impact of the proposed payment arrangements.

DBSR Question 4

Do you agree with our measurement and baseline proposals?

SGC Response

No. The proposed baseline methodology is another area of great concern to SGC. This aspect appears to have been made unnecessarily complex and as a result will present a site with great difficulty in knowing clearly the expected delta they should deliver.

In addition the primary purpose of DBSR is to ensure that there is capacity retained on the system in the event that margins are eroded to the point where system stability is at risk. It is therefore critical that when NG calls upon the service that the sites have preserved the expected level of margin. If a baseline was a simple metric based on a value related to their consumption at that time and regardless of other activity such as triad or DUoS avoidance, they would know what was expected and seek to deliver the delta set out in their DBSR contract agreement.

It is highly unlikely that a site will know the average of their consumption during the last ten peak consuming days and as a result less likely to deliver against expectation.

DBSR Question 5

Do you agree with our arrangements for dispatch?

SGC Response

No. The dispatch arrangements proposed amount to little more than a blind broadcast message which can't be measured. The response to DBSR Q3 highlights our preference to see greater upfront investment in infrastructure to improve the quality of service achieved during the operation of DBSR and leave a legacy that will enhance future DSR programmes.

DBSR Question 6

Do you agree with our proposals on procurement?

SGC Response

No. National Grid has an excellent track record on making arrangements to buy large volumes from a relatively small number of providers. To this end it is not geared up to go to market directly and recruit the necessary volumes outlined within the proposal. It is therefore necessary that there is the support of third parties such as electricity suppliers, agents and aggregators if there is to be a realistic expectation of acquiring the desired DSR capacity within the limited timescales.

DBSR Question 7

Do you agree with our proposals on verification?

SGC Response

No. Based on previous responses, it is SGC's view that investment in a more integrated system with real-time monitoring & metering capability would enable the prompt identification of under-performance and improve National Grid's control during an event. Live communications will in addition reduce the likelihood of abuse where a participant signs up in order to receive the set-up fee with little or no intention of delivering against the utilisation requests.

DBSR Question 8

Do you agree with that there should be a de-minimis dispute threshold?

SGC Response

No. Again, SGC are uncomfortable with the president this sets within the industry, that abuse is acceptable below a particular threshold. Should an alternative approach be adopted in line with SGC's recommendations then performance measurement could be largely automated.

DBSR Question 9

Do you agree with our proposed approach to contracting?

SGC Response

It is critical that a relatively simple contract is developed to minimise the concerns of risk and other potential barriers that will slow recruitment. This shouldn't however be to the detriment of service standards & governance. We therefore support the principal, but would suggest that if a participant is large enough to contract directly then they should be in a position to consider accept terms of service that hold them accountable to clear KPIs with the potential of claw back in the event of non-performance. This should also be the basis of the contract signed by third parties including aggregators who should take responsibility for the performance of the participants they recruit.

DBSR Question 10

Do you agree with our proposals on imbalance pricing?

SGC Response

Yes.

DBSR Question 11

Do you agree with our proposals on how the service should interact with triad demand reducers?

SGC Response

No. Triad avoidance currently accounts for around 1.5GW of demand suppression during winter peak periods and which the TSO has already factored into its operating margins calculations and is to an extent reliant on this. DBSR does present a conflict with this. If utilisation payments are over generous it may create the market conditions where it is more attractive to 'gamble' on maintaining a normal demand in expectation of a 'peak' in order to receive a double award.

By reducing the utilisation payment in line with market expectation this circumstance would not occur. Existing triad & DUoS would continue and DBSR could be used to develop new DSR participants. The majority of energy supply contracts do not detail triads explicitly allowing for avoidance and therefore the untapped potential in the market for DBSR is significant without the need to attract participants away from triad avoidance.

DBSR Question 12

Do you agree with our proposals in respect of Committed and Flexible STOR providers?

SGC Response

Yes.

DBSR Question 13

Do you have any comments on our procurement options?

SGC Response

We do not feel this service proposal is fit for purpose or supports the long term development of DSR in the UK and therefore don't believe that National Grid should seek to procure capacity based on the proposed model.