

June 2011 Annual Invitation

Northern Gas Networks' Interruption Requirements

Introduction

In March 2007, Ofgem announced its intention to modify the regime for interruptible contracts. These revised arrangements took effect from 1st April 2008 and allow Distribution Networks to publish their specific interruption requirements and invite offers for interruptible terms through a tender process. The next auction will take place between 6th and 17th June 2011, and will cover the period from 1st October 2012 to 30th September 2019.

Northern Gas Networks' Interruption Requirements

NGN requires interruption in 2 geographic zones. The zones where interruption is required in different years, and the number of days interruption per year for each zone are shown on the map and table in Appendix A, and can also be found on our website at www.northerngasnetworks.co.uk/cms/232.html on the "Interruption Reform" page on NGN's website.

To assist further, all postcodes within an NGN zone requiring interruption and containing at least one eligible supply point are shown in Appendix B or can be found at the website described above.

Eligibility

All supply points with a registered Annual Quantity (AQ) greater than 5,860,000 kWh (200,000 therms) are eligible to make an offer, whether or not they are currently Interruptible, Firm, Daily Metered (DM) or Non-daily metered (NDM). Any supply point whose offer is accepted must be Daily Metered and be able to interrupt their supply when instructed by the first day of the interruption contract period.

Offers and Acceptance

Details of the bidding process have been sent by xoserve to all shippers with eligible supply points within NGN's area. Offers should consist of an Interruption Option price (in pence per kWh) and an Interruption Exercise price (in pence per kWh per day). An Interruption Calculator has been developed to assist in preparing offers, and can be accessed via NGN's website using the link above.

Interruption offers must be for a whole number of days. The minimum number of days for the 2011 process is 4 in Zone 9 and 5 in Zone 11. The maximum number of days for a particular zone is the total aggregate requirement for that zone (i.e. the sum of days in Periods 1, 2 and 3 as specified in the chart in Appendix A).

Offers can be made for any number of years from 1 to 5, but these must be consecutive (e.g. an offer for three years commencing October 2014 is allowable, but an offer for two years, the first commencing October 2014 and the second commencing October 2016 is not). Offers will only be considered for years 2014/15 to 2018/19 as there are no additional interruption requirements for 2012/13 and 2013/14 over and above the interruption contracts already in place.

Multiple offers may be made for a single supply point.

Offers for a single supply point may be made in tranches, but the minimum tranche size is for an AQ of 5,860,000 kWh (i.e. the minimum tranche size is 16,000 kWh per day). Where offers are made in tranches, the hourly consumption for each tranche (SHQ) must be provided. The maximum allowable number of tranches for a single supply point is nine.

Linked offers may be made for a single supply point provided they each meet the eligibility criteria. The appropriate SHQ should be provided for each linked offer.

NGN will assess all eligible offers in accordance with the DN Interruptible Capacity Methodology Statement. A copy of this document can be found on the Joint Office website at

http://www.gasgovernance.co.uk/sites/default/files/InterruptibleCapacityMethodologyStatement_0.pdf

From 1st October 2011 all supply points will be considered Firm for DN transportation purposes, paying Firm LDZ capacity and commodity charges. Shippers for those sites whose interruption offers are accepted will receive payments based on their Option and Exercise prices. Payment for the Option price will be made monthly in arrears for the year(s) covered by the contract. The Exercise price will be paid each time the site is interrupted by the DN.

Key Dates for the 2011 Interruption Tender Process

6th May 2011 – Interruption Requirements published to shippers via xoserve

6th June 2011 – Offer window opens

17th June 2011 – Offer window closes (17:00 BST)

29th July 2011 – Tender results notified

Further Information

NGN is keen to encourage tenders for interruption and we are happy to meet with any shippers or customers to discuss any issues relating to the interruption process.

Further information is available at www.northerngasnetworks.co.uk/cms/232.html.

In addition you can email interruption@northerngas.co.uk or talk direct to one of the contacts below:

Tony Pearson - 0113 3975338 tpearson@northerngas.co.uk

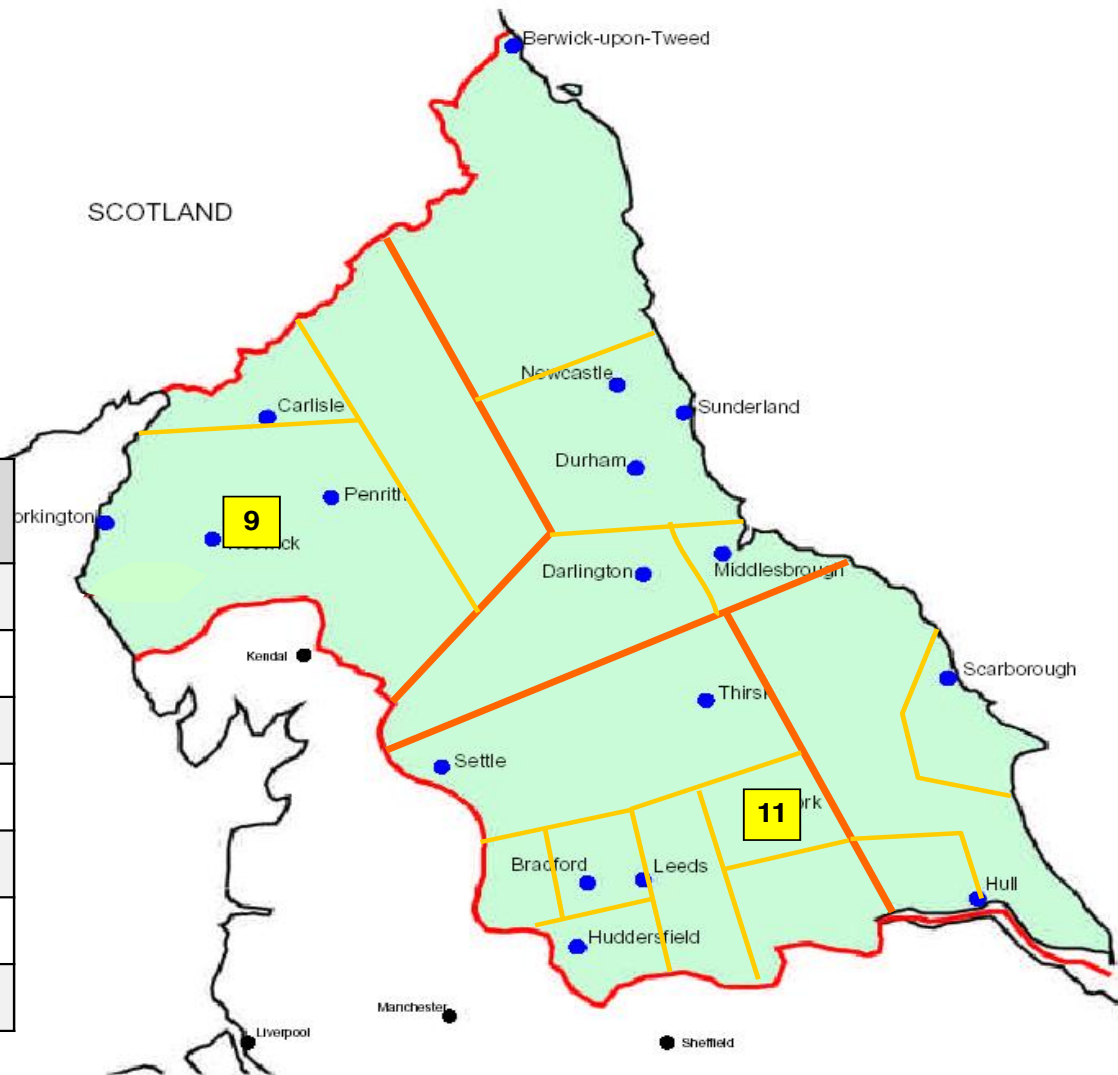
Joanna Ferguson - 0113 3975326 jferguson@northerngas.co.uk

Appendix A



Interruption Zones for 2011 Tenders

Year	Zones Where Tenders Invited
2012/13	None
2013/14	None
2014/15	9 & 11
2015/16	9 & 11
2016/17	9 & 11
2017/18	9 & 11
2018/19	9 & 11



Interruption Requirements 2012/13 to 2018/19 (Y+2 to Y+8)

Capacities in kWh/day

Zone	Description	Applicable period (Y+4 = 1 Oct 2014 - 30 Sept 2015)	Aggregate Interruptible Capacity Required	Period 1 (days)	Minimum Capacity required in Period 1	Period 2 (days)	Minimum Capacity required in Period 2	Period 3 (days)	Minimum Capacity required in Period 3
GT3110009	Cumbria	Y+2 to Y+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		Y+4 to Y+8	1,888,238	5	1,888,238	4	1,143,905	4	370,238
GT3110011	Vale of York	Y+2 to Y+3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		Y+4 to Y+8	107,950	5	107,950	9	86,977	14	40,293

NB

For Y+2 and Y+3 (2012/13 and 2013/14) contracts for interruption are already in place in the above zones. No additional interruption is required for these years.

Appendix B

Zone IDs and Descriptions as they will appear in the Interruption Invitations	
GT3110009	GT3110011
Cumbria	Vale of York
CA5	YO2
CA10	YO10
CA11	YO23
CA14	YO26
CA28	YO31
CA2	YO32
CA7	YO41
	YO43
	YO61
	YO91