

June 2009 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 1st and 12th June 2009, and will cover the period from 1st October 2011 to 30th September 2017.

Northern Gas Networks' Interruption Requirements

NGN requires interruption in 11 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, from 5 to the maximum requirement for that zone (refer to the map and chart in Appendix A). Offers can be made for any number of years from 1 to 6, but these must be consecutive (e.g. an offer for three years commencing October 2011 is allowable, however an offer for two years, the first commencing October 2012 and the second commencing October 2014 is not). Offers will only be considered for years 2011 / 12 to 2016 / 17.

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 www.gasgovernance.com/industryinfo/int

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

1st May 2009 – Interruption Requirements published to shippers via xoserve

1st June 2009 – Offer window opens

12th June 2009 – Offer window closes (17:00 BST)

31st July 2009 – Tender results notified

1st October 2011 – First interruption contracts take effect.

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:

Alex Wiseman – 0113 3975321 awiseman@northerngas.co.uk

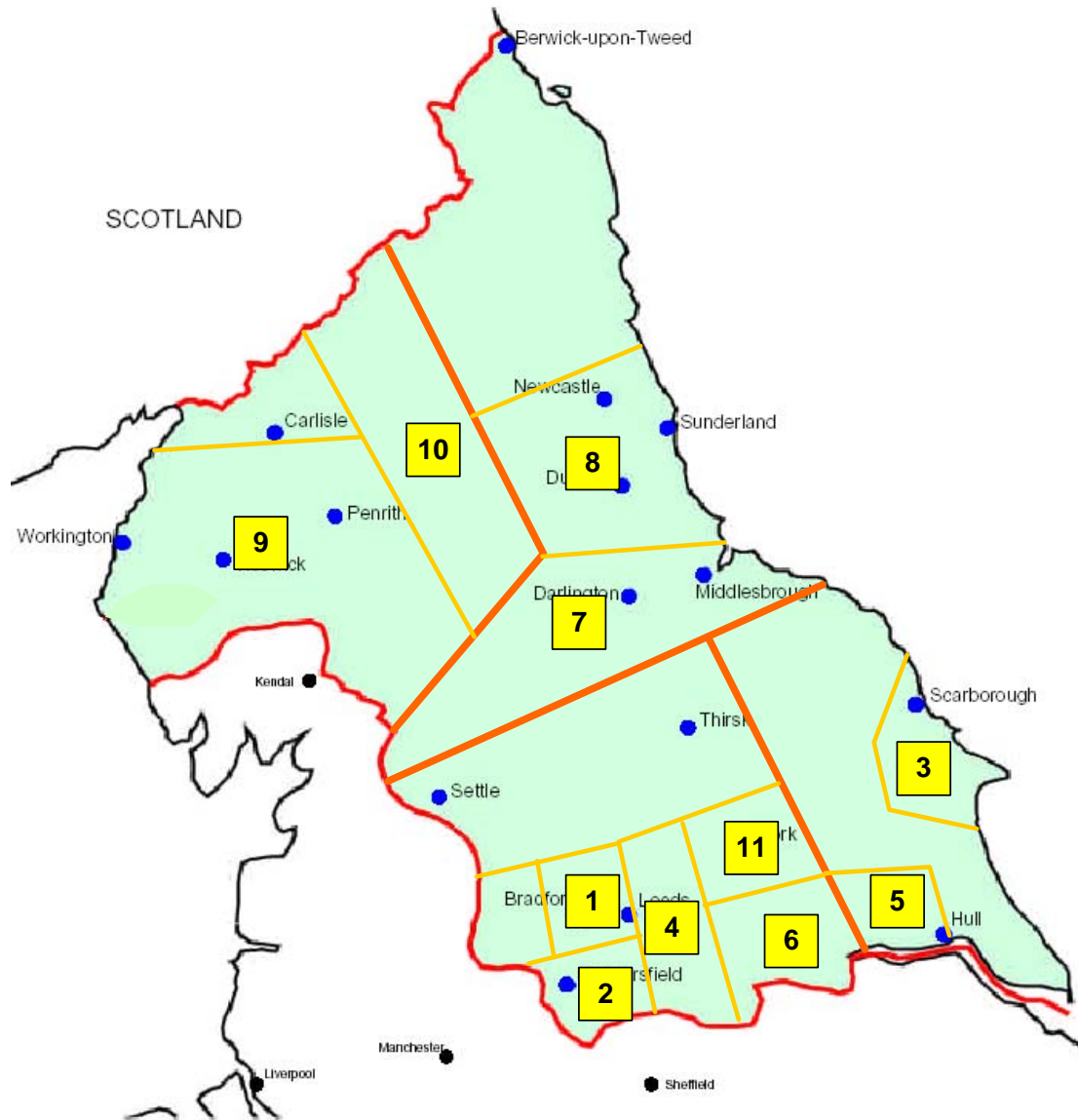
Anna Taylor – 0113 3975328 ataylor@northerngas.co.uk

Appendix A



Interruption Zones for 2009 Tenders

Year	Zones Where Tenders Invited
2011/12	All except 7, 9 & 11
2012/13	All except 11
2013/14	All except 11
2014/15	All
2015/16	All
2016/17	All



Interruption Requirements 2011/12 to 2016/17 (Y+2 to Y+7)

Zone	Description	Applicable period (e.g. Y+3 = 1 Oct 2012 - 30 Sept 2013)	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
GT3090001	North West Leeds	Y+2 to Y+7	151,993	10	151,993	33	132,152	33	64,930
GT3090002	Kirklees	Y+2 to Y+7	279,026	10	279,026	28	237,428	27	116,348
GT3090003	Yorkshire Coast	Y+2 to Y+7	53,854	12	53,854	0	0	0	0
GT3090004	East Leeds	Y+2 to Y+7	218,393	10	218,393	16	170,728	19	84,309
GT3090005	East Riding	Y+2 to Y+7	47,803	10	47,803	25	39,997	24	19,480
GT3090006	Humberhead	Y+2 to Y+7	41,006	10	41,006	49	37,293	58	18,269
GT3090007	Teesdale	Y+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		Y+3 to Y+7	191,413	10	191,413	19	149,699	27	74,757
GT3090008	County Durham	Y+2 to Y+7	106,029	10	106,029	14	77,689	19	37,891
GT3090009	Cumbria	Y+2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		Y+3	3,429,400	10	3,429,400	7	2,053,567	10	746,483
		Y+4 to Y+7	3,575,000	10	3,575,000	11	2,172,083	17	964,167
GT3090010	Tyne Valley	Y+2 to Y+7	382,062	10	382,062	42	331,582	53	162,090
GT3090011	Vale of York	Y+2 to Y+4	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		Y+5 to Y+7	147,101	10	147,101	17	114,623	19	54,376

