

Distribution Network Interruption Reform

Northern Gas Networks Interruption Requirements – June 2008 Tender Process

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 first auction will take place between 2nd and 13th June 2008, and will cover the five year period commencing 1st October 2011.

Northern Gas Networks' Interruption Requirements

NGN has divided its network into 16 geographic zones. The amount of interruption required, and the number of days interruption per year for each zone are shown on the map in Appendix A.

To assist further, all postcodes within NGN's area containing at least one eligible supply point have been allocated to a zone. These are shown in Appendix B or can be found at www.northerngasnetworks.co.uk/cms/232.html on the "Interruption Reform" page on NGN's website.

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 5, 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 2015 / 16.

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 April 2008 – Interruption Reform arrangements come into force
- 1st May 2008 – Interruption Requirements published to shippers via xoserve
- 2nd June 2008 – Offer window opens
- 13th June 2008 – Offer window closes (17:00 BST)
- 31st July 2008 – Tender results notified
- 1st October 2011 – New interruption contracts take effect.

Further Information

Further information can be found by e-mailing interruption@northerngas.co.uk or on the NGN website at www.northerngasnetworks.co.uk/cms/232.html.

Appendix A – NGN Interruption Zones and Requirement 2011 / 12 to 2015 / 16



Interruption Zones

NGN Interruption Zones and Requirements 2011/12 - 2015/16

Zone ID	Interruption Required due to System Capacity Constraints	
	Max No. Int. Days Requ'd by NGN	Min Int. Req'd Peak Day (GWh/Day)
GT3080001	70	0.2
GT3080002	60	0.2
GT3080003	10	0.2
GT3080004	35	0.4
GT3080005	50	0.1
GT3080006	100	0.1
GT3080007	30	0.2
GT3080008	35	0.1
GT3080009	25	4.2
GT3080010	70	0.2
GT3080011	40	0.2
GT3080012	10	0.9
Total		6.8

Peak Day Total Network Demand (Firm + Int)	649 GWh/Day
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Offtake Reform

In addition to the above, bids for interruption may be considered in all zones, including GT3080013, GT3080014, GT3080015, GT3080016 if it is beneficial to do so as a result of offtake reform.



