

**Work Programme**  
**UNC Modification Reference Number 0166**  
**Review of necessary reform of NTS Offtake Arrangements**  
**Session 4 Questionnaire – Interruption Product**

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Organisation: SSE

Stakeholder Group: shipper, storage operator, generator

SSE does not support a “universal firm” offtake mechanism. It believes that the current UNC fulfils the requirements of Regulation EC no 1775/2005.

**Objectives of NTS Interruption Arrangements**

1 What should be the main objectives of the NTS Interruption regime?

(a) To provide access without requiring NG NTS to invest in the system.

Yes

(b) To provide NG NTS with a tool to manage constraints on the NTS.

Yes

(c) To facilitate of the sale of spare NTS capacity.

Yes

(d) To seek to maximise use of NTS capacity.

Yes

(e) To facilitate competition within GB and trade between EU member states through spot shipping and supply.

Yes

(f) To be compliant with all laws and regulations relevant to such services.

Yes

(g) Other (please state

2 To what extent do the current NTS interruption arrangements meet these objectives?

They meet all of the above objectives, as a result SSE does not support change to the current arrangements.

### **Products Available**

3 Which of the following interruptible/buy-back products do you believe should be available? (more than one may be selected)

(a) A general entitlement to interruptible capacity based on zero or discounted capacity charges.

Yes

(b) Use it or Lose It (UIOLI) rights based upon take-up of Firm Capacity over a previous period.

Yes

(c) Long term Buy-back Contracts where National Grid NTS would otherwise require investment.

Possibly, remain unconvinced that this will be more efficient or economic than the retaining the existing interruptible arrangements. However, could be used where insufficient interruptible capacity available and where it is more efficient than investing in network.

Short term buy-back arrangements where National Grid NTS would otherwise require investment.

(d) Transitional Interruptible arrangements whilst firm capacity is being built on the NTS to support an application by that User

Yes

### **General Entitlement Interruptible Service**

4 Do you believe that NTS offtakes should have a right to opt for access on an interruptible basis?

Yes

5 If yes do you consider this should apply to particular classes of user (such as storage, interconnector users and 'back-up supplies')

All users should have the option to request interruptible services. However, storage sites and power stations will alternative fuel sources are particularly suited to offering an interruptible off-take service.

6 If so, should the capacity be available?

(a) At zero or discounted capacity rate – and if so what rate.

Review Proposal 0166: UReview of necessary reform of NTS Offtake Arrangements

A discount should be available, we would support the retention of a zero charge as is current practice.

(b) As a discount on another charge e.g. TO Commodity Charge and if so outline basis.

Only the Exit capacity charge should be considered for discount. Extending the scope will add complexity and dilute the cost reflectivity.

(c) At a single rate associated with a standard maximum days of interruption.

SSE would be willing to discuss this concept to further understanding and development.

(d) At rates associated with maximum days – if so outline structure.

SSE would be willing to discuss this concept to further understanding and development, but would be more complicated to administer than (c) above.

7 It has been suggested that some interruptible users are effectively firm because of the infrequency of interruption. Do you agree with this statement?

Absolutely not. Even if customers have not been interrupted plant and procedures have to be in place such that they can be interrupted at short notice. Therefore, the costs of being able to support an interruptible service are still borne by the customer and a form of compensation, through lower transportation charges is required. SSE believe that the level of transporter lead interruption is at its current level due to: warm winters and the system not being stressed; operation experience of NGG; and an NTS that is sufficiently robust to meet the 1 in 20 design requirements. To claim that the mechanism is not working because interruptions are low when a 1 in 20 winter has not happened is not valid.

8. Can a 'general entitlement' interruptible service be defined in such a way as to ensure interruptible users do not receive a firm service at a discounted price? Please state any suggestions:

A mechanism based on the electricity Triad system may be worthy of consideration. Discounts could be based on the level of demand taken on the three highest demand days. This would require further development to understand how mechanism would work and if the costs and benefits were more efficient than the existing interruption arrangements.

8 Can a 'general entitlement' interruptible service act as an effective UIOLI anti-hording mechanism.

**Questions 9 to 18 are typically associated with a 'universal firm' regime.**

## **UIOLI**

Review Proposal 0166: UReview of necessary reform of NTS Offtake Arrangements

9 Which of the following principles do you accept for release of capacity under UIOLI?

(a) Availability based upon 30 Day rolling average of Firm Capacity Usage

No

(b) Availability at 15.00 D-1

No

(c) Additional National Grid NTS discretionary release up to baseline.

No

(d) Additional National Grid NTS discretionary release up to and exceeding baseline.

No

(e) Either 0 or (d) but with rules on National Grid NTS release – If so outline rules:

No

(f) Right of National Grid NTS to curtail Interruptible flows prior to activating any other constraint management measure.

**Yes**

10 What governance processes should be in place to ensure?

(a) Fairness of terms

Inclusion in the UNC and transparent reporting of transportation charges should ensure adequate governance. Similar transparency and reporting of tenders as in the power ancillary services tendering would be helpful.

Equitability of terms

See 10a.

(b) Transparency of price and take-up

See 10a

### **Long Term Buy-back Arrangements**

11 Should Long Term Buy-back Contracts be available?

(a) For cases where National Grid NTS would consequentially avoid investment on the NTS.

Review Proposal 0166: UReview of necessary reform of NTS Offtake Arrangements

Only if the current general interruptible service does not provide NGG with sufficient interruptible rights to manage constraints. SSE is not convinced at this time that a buy back mechanism provides for more efficient system operation than the existing firm & interruptible arrangements.

For constraint management reasons associated with maintenance or breakdown.

No more suitable for short term arrangements.

(b) For other reasons – state criteria.

12 Should the structure of these Buy-back Contracts be option/exercise price?

Option & forward contracts should only be considered if the current general interruptible service does not provide NGG with sufficient interruptible rights to manage constraints.

(a) If so, how should the following be derived?

Competitive tendering.

(i) Option Price

Competitive tendering.

(ii) Exercise Price

Competitive tendering.

(b) If not, what structure should apply

13 What governance processes should be in place to ensure?

(a) Fairness of terms

Inclusion in the UNC and transparent reporting of the amount of product required in excess of the existing interruptible services should ensure adequate governance. As in the case for power ancillary services; tenders offered to be published to include both volume and price, also this to be repeated for accepted tenders.

Equitability of terms

As 13 a) above.

(b) Transparency of price and take-up

As 13 a) above.

**Short Term Buy-Back Arrangements**

Review Proposal 0166: UReview of necessary reform of NTS Offtake Arrangements

14 Should Short Term Buy-Back Arrangements be available?

- (a) To address short term constraints due to maintenance or failure

Possibly

- (b) For cases where National Grid NTS would consequentially avoid investment on the NTS.

- (i) In respect of DN Offtakes where a 1 in 20 obligation exists

No

- (ii) In respect of NTS Supply Points where no such obligation exists.

Possibly

15 Should Buy-Back Arrangements be exercised by National Grid NTS?

- (a) Through pay as bid Auctions - if not indicate other mechanism.

Yes

- (b) After 15.00 D-1 – if not indicate suggested time criteria.

Yes

16 What governance processes should be in place to ensure?

- (a) Fairness of terms

Inclusion in the UNC and transparent reporting of the amount of product required in excess of the existing interruptible services should ensure adequate governance. As in the case for power ancillary services; tenders offered to be published to include both volume and price, also this to be repeated for accepted tenders.

- (b) Equitability of terms

As 16 a) above

- (c) Transparency of price and take-up

As 16 a) above

**Transitional Arrangements**

17 Do you believe that a User applying for Firm Capacity should be entitled to interruptible capacity to cover the intervening period, if National Grid cannot provide firm capacity immediately?

Yes, as per existing arrangements.

18 If so, should the capacity be available?

(a) At zero or discounted capacity rate – and if so what rate.

A discount should be available, we would support the retention of a zero charge as is current practice.

(b) As a discount on another charge eg TO Commodity Charge and if so outline basis.

Only the Exit capacity charge should be considered for discount. Extending the scope will add complexity and dilute the cost reflectivity

(c) At a single rate associated with a standard maximum days of interruption.

SSE would be willing to discuss this concept to further understanding and development.

(d) At rates associated with maximum days – if so outline structure.

SSE would be willing to discuss this concept to further understanding and development, but would be more complicated to administer than (c ) above.

#### **Other Terms -Failure to Interrupt**

19 In addition to any overrun charges that apply, do you believe that Failure to Interrupt charges should apply?

Yes,

(a) If so, what charging structure and rate would you suggest?

As per exiting arrangements

20 Do you believe that National Grid NTS should have the right to request test interruption when it has reason to believe that the User is unable to comply with an interruption request?

Yes

(a) If so, what rules should apply?

As per existing arrangements