

**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: RWE Npower

Stakeholder Group (if any): Shippers

**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, to the extent that interruptibility allows constraints to be managed and otherwise constrained capacity to be made available.*
  - (d) To seek to maximise use of NTS capacity.  
*Yes, this allows usage of capacity that might otherwise remain unused.*
  - (e) To facilitate competition within GB and trade between EU member states through spot shipping and supply.  
*Arrangements should palpably not hinder competition or trade between EU member states.*
  - (f) To be compliant with all laws and regulations relevant to such services.  
*Yes but in certain places the regulations appear to contradict themselves and so compliance is subjective.*
  - (g) Other (please state): \_\_\_\_\_

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

*Appear to work well, however, there are issues with potential cross-subsidisation and no real value being assigned to interruptibility, particularly in constrained areas where the value of interruption should logically be higher.*

**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.

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

*Would depend on the value assigned to interruption, current regime does not appear to accurately reflect this.*

- (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.

*Yes, if this is more economic and efficient than investment.*

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

*Yes, if this is more economic and efficient than investment.*

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

*Yes, as this allows some capacity to be made available, which is better than none at all.*

#### **General Entitlement Interruptible Service**

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

*Yes through a daily product. If NTS offtakes are to secure an annual product its cost must reflect the number of occasions interruption can be exercised and the likelihood of interruption being required. This could be achieved through a tender process as per the system envisaged at LDZ level in line with Mod 90 and this would avoid creating a two tier interruption regime and assign a true value to interruptibility on a case by case basis.*

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

*If eligible, all users should be treated in the same manner*

- 6 If so, should the capacity be available?

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

*See 4 above.*

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

*No, interruption is a capacity issue not an energy issue.*

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

*As the value of different potentially interruptible sites will be different depending on their location, this would not fit with the principles expressed in 4 above.*

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

*N/A*

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

*Yes. There are a number of interruptible customers who have never been interrupted and whose only likelihood of interruption is due to a gas supply emergency.*

- 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:

*General entitlement to a daily interruption product achieves this.*

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

*As long as an interruptible customer always interrupts whenever the capacity is required by a firm user, there is no "hoarding" of capacity taking place. However, as stated before, the problem is that some interruptible sites are hardly ever (if at all) interrupted.*

**Questions 10 to 19 are typically associated with a 'universal firm' regime.**

## **UIOLI**

- 10 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

*Yes*

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

*Yes, but prefer (d) below.*

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

*Yes*

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

*N/A*

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

*Yes, this would be done through curtailment of Interruptible Day Ahead Exit Capacity before buy back under Short and Long Term contracts.*

- 11 What governance processes should be in place to ensure?

(a) Fairness of terms

*All users must be treated in the same manner vis a vis access to products.*

(b) Equitability of terms

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

*All users must be treated in the same manner. If more than one interruptible exit point can relieve a constraint interruption to be pro-rated.*

- (c) Transparency of price and take-up

*Publication of details relating to price and volume, although not on an exit point basis as market already knows offtake at D+1..*

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

12 Should Long Term Buy-back Contracts be available?

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

*Yes, if this is more economically efficient than investment.*

- (b) For constraint management reasons associated with maintenance or breakdown.

*Yes, assuming User can respond in the appropriate timescale. We assume this refers only to NG's maintenance*

- (c) For other reasons – state criteria.

*N/A*

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

*Perhaps exercise only should be considered – therefore the User is recompensed only when capacity is bought back by NTS.*

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

- (i) Option Price

*See above.*

- (ii) Exercise Price

*The Exercise price must be reflective of the cost to the User in having their Exit Capacity reduced or curtailed altogether. Perhaps this could be based to some extent on the Within Day gas price, while also taking into account cost of running back up generation, shutting down production etc. These contracts could be priced on a bespoke basis.*

- (b) If not, what structure should apply

14 What governance processes should be in place to ensure?

- (a) Fairness of terms

*All users must be treated in the same manner vis a vis being able to offer buyback to NG*

- (b) Equitability of terms

*All users must be treated in the same manner.*

- (c) Transparency of price and take-up

*Publication of details relating to price and volume, although on an anonymous basis.*

### **Short Term Buy-Back Arrangements**

15 Should Short Term Buy-Back Arrangements be available?

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

*Yes, if User is in a position to interrupt within the required timescale .*

- (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

*Only if this is proven to be more economically efficient than reinforcement and if NTS is assured that the point will interrupt when required.*

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

*Yes, if more economically efficient than reinforcement.*

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

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

*Yes but in a constraint situation where interruption is required as soon as possible, there may not be enough time to carry out an ad hoc auction for interruptibility. Perhaps the exercise of a long or short term buy back contract or an energy action would be better in this situation.*

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

*Yes if needed.*

17 What governance processes should be in place to ensure?

- (a) Fairness of terms

*All Users should be treated in the same manner vis a vis their ability to bid.*

- (b) Equitability of terms

*All Users should be treated in the same manner.*

- (c) Transparency of price and take-up

*Publication of details relating to price and volume, although on an anonymous basis.*

### **Transitional Arrangements**

18 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?

*This seems fair, and is certainly better than no capacity being made available at all.*

19 If so, should the capacity be available?

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

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

*At whatever the capacity discount is under the transitional, i.e. a 100% discount unless changed by a pricing methodology change.*

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

*No, see answer to 6b.*

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

*Shippers and end user customers have always been led to believe that the current 45 day contract will apply until replaced by enduring exit arrangements. It does not seem appropriate to change this assumption now despite the coming into effect of Mod 90.*

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

*No.*

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

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

*Yes, as failure to interrupt when instructed to do so can have significant effects on system operation and stability in a tight situation.*

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

*The current arrangements would appear to be sufficiently punitive.*

- 21 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, this seems reasonable.*

- (a) If so, what rules should apply?

*Interruptible customers should be liable to have at least one test interruption made at a few hours notice within the first three months of being interruptible.*