

DN Interruption Reform

28 November 2006

Introduction

The purpose of this note is to update customers on the present position on DN Interruption Reform consultations and charging methodology issues.

UNC Modification Proposal 0090

Mod 0090 is presently at the consultation phase and the important forthcoming dates are:

- Representations close out 30th November 06
- Final Mod Report issued 7th December 06
- Mod Panel recommendation 21st December 06
- Ofgem decision end January 07

The DNs also propose to present their high level 2010 interruption requirements in January 2007

Dependent on the Ofgem decision the key post implementation dates are:

- implementation date 1 April 2007
- sale of interruptible rights (for 2010 onwards) May 2007
- Users bidding for interruptible rights early June 2007
- Results of sale notified July 2007
- New interruption rights become operational Oct 2010

Charging and Capacity Issues

The DNs issued a Discussion Paper, PDDN01, Interruptible Charging Methodology Options for UNC Mod 0090 on 25th September 2006 setting out three alternative mechanisms for contracting interruptible rights i.e. administered, open tender or a hybrid. The report on the responses was published by the Joint Office on 17th October. Of the options presented the majority of respondents favoured the open tender approach.

Since then the DNs have agreed that they favour the Open Tender approach and if Mod 0090 is implemented and subject to consultation (on the Interruptible Capacity Methodology) intend to sell interruptible rights on this basis. Also, DNs are proposing to consult on:

- A charging methodology that would remove the existing transportation charge capacity discounts (if Mod 0090 is implemented)
- A charging methodology that would enable DNs to pass on NTS exit capacity charges to DN-connected loads from 2010 onwards

These consultations are scheduled to be initiated in February 2007.

Ofgem consultations

Ofgem are presently consulting on DN Interruption Reform through document 191/06, Reform of interruption arrangements on gas distribution networks – An update. The document contains a draft impact assessment and initial thoughts on DN Incentives and the close out for representations is 12th December 2006. In the document Ofgem state that they will be conducting a Final Impact Assessment and they set out some key dates going forward:

- Initial proposals for 2010/11 DN incentives January 2007
- Final proposals for 2010/11 DN incentives March 2007
- Licence Modifications for DN incentives implemented May 2007