

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 <u>interruption@northerngas.co.uk</u> or on the NGN website at <u>www.northerngasnetworks.co.uk/cms/232.html</u>.

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



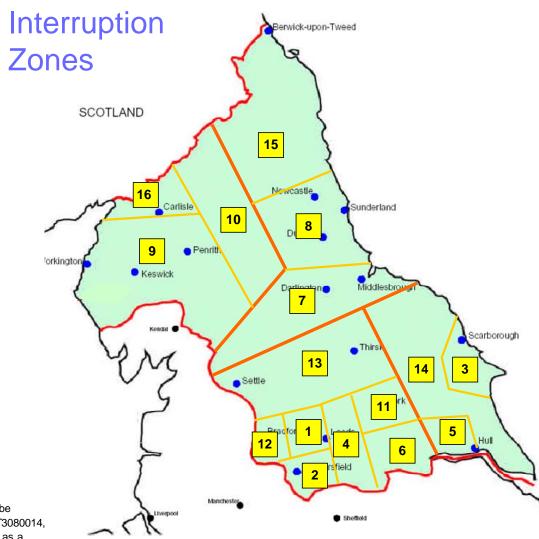
NGN Interruption Zones and Requirements 2011/12 - 2015/16

Zone ID	Interruption Required due to System Capacity Constraints						
	Max No. Int.	Min Int. Req'd					
	Days Requ'd	Peak Day					
	by NGN	(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

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.



Appendix B – NGN Postcodes by Zone

GT3080001	GT3080002	GT3080003	GT3080004	GT3080005	GT3080006	GT3080007	GT3080008	GT3080009	GT3080010	GT3080011	GT3080012	GT3080013	GT3080014	GT3080015	GT3080016
North West		Yorkshire	East	East			County		Tyne	Vale		North	East		North
Leeds	Kirklees	Coast	Leeds	Riding	Humberhead	Teesdale	Durham	Cumbria	Valley	of York	Calderdale	Yorkshire	Yorkshire	Northumbria	Cumbria
BD9	BD3	YO11	DN6	HU1	DN14	DL1	DH	CA5	DL13	YO2	BD6	BD23	HU7	NE1	CA1
BD10	BD4	YO12	HG2	HU2	HU15	DL3	DL14	CA10	NE42	YO10	BD13	HG4	HU8	NE2	CA3
BD17	BD5	YO15	HG5	HU3	YO8	DL5	DL16	CA11	NE46	YO23	BD16	YO7	HU9	NE3	CA6
HG1	BD7		LS9	HU4		DL6	NE9 6	CA14		YO26	BD20		HU12	NE4	
HG3	BD8		LS10	HU5		DL7	NE11 0	CA28		YO31	BD21		YO6	NE5	
LS6	BD12		LS14	HU6		DL9	NE16	CA2		YO32	HD1		YO17	NE6	
LS16	BD19		LS15	HU14		DL10	NE37	CA7		YO41	HD4		YO18	NE7	
LS18	BD99		LS23	HU16		DL12	NE38			YO43	HD6		YO21	NE8	
LS19	HD2		LS24	HU17		TS1	SR			YO61	HX		YO25	NE9 5	
LS20	HD3		LS25			TS2	TS24			YO91	OL			NE10	
LS21	HD5		LS26			TS3	TS25							NE11 9	
	HD7		S			TS4	TS26							NE12	
	HD8		WF1			TS6								NE13	
	HD9		WF2			TS9								NE15	
	LS1		WF4			TS12								NE21	
	LS2		WF6			TS13								NE22	
	LS3		WF7			TS14								NE23	
	LS4		WF8			TS16								NE24	
	LS12		WF9			TS17								NE25	
	LS13		WF10			TS18								NE28	
	LS27		WF11			TS19								NE29	
	LS28					TS21								NE31	
	LS98					TS23								NE32	
	WF5					TS90								NE34	
	WF12													NE35	
	WF13													NE61	
	WF14													NE63	
	WF15													NE65	
	WF16													NE66	
	WF17													NE98	
														TD	