

Distribution Network Interruption Reform

Scotia Gas Networks Interruption Requirements – October 2008 Ad-hoc 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 (DN's) to publish their specific interruption requirements and invite offers for interruptible terms through a tender process. The first tender took place between 2nd and 13th June 2008 the results of which are available on the Scotia Gas Networks (SGN) website at the address provided below. SGN have now determined that additional interruption is required in our Scotland Network and invite tenders under an Ad-hoc Interruption Invitation to be held between 13th and 24th October 2008. Interruption tenders will cover the five year period commencing 1st October 2011.

Scotia Gas Networks' Interruption Requirements

SGN has divided its Scotland Network into five geographic zones with the amount of interruption required and the number of days interruption per year for each zone shown on the map in Appendix A and the tables in Appendix B.

To assist further, all postcodes within SGN's area containing at least one eligible supply point have been allocated to a zone. These are shown in Appendix C or can be found at SGN's website www.scotiagasnetworks.co.uk on the "Interruption" page.

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 SGN's area. Offers should consist of an Interruption Option price (in pence per kWh per day) and an Interruption Exercise price (in price per kWh per day).

Interruption offers must be for a whole number of days, between the minimum and maximum for that zone (refer to the map and chart in Appendices A and B). 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 up to a maximum of ten (10).

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. 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 (9).

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.

SGN 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 or on the SGN website at the address provided above.

From 1st October 2011 all supply points will be considered Firm for DN transportation purposes, paying Firm LDZ capacity and commodity charges. Shippers whose sites have an accepted interruption offer 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

8th September - Interruption Invitation published for 2008 October Ad-hoc Tender to shippers via xoserve.

13th October 2008 - Bid Window Opens (8:00 BST)

24th October 2008 - Bid Window Ends (17:00 BST)

18th November 2008 - Tender results notified to shippers

1st October 2011 - New interruption contracts take effect

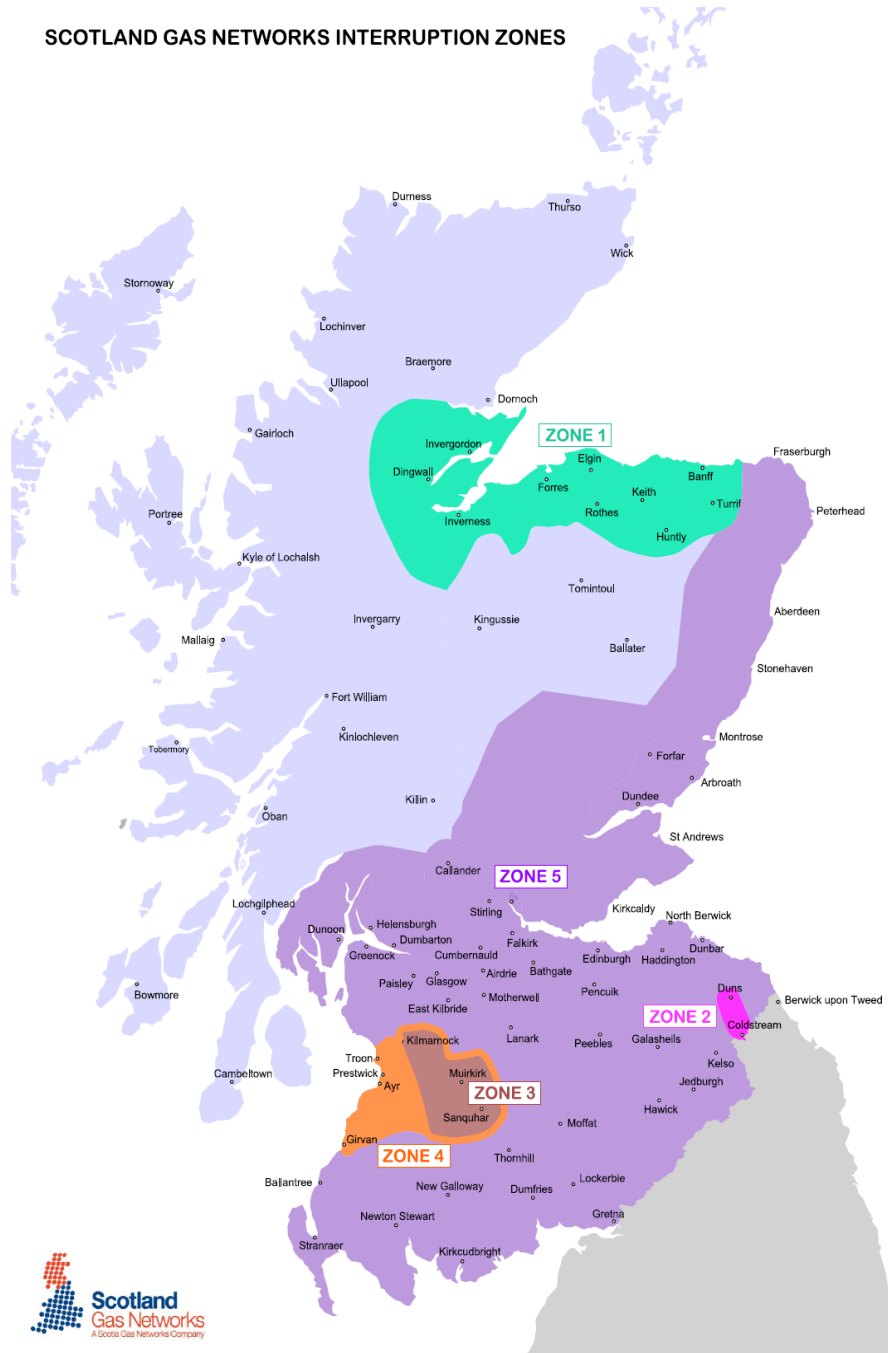
Further Information

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Appendix A – SGN Interruption Zones - 2008 October Ad-hoc Tender Process

SCOTLAND GAS NETWORKS INTERRUPTION ZONES



Appendix B – SGN Interruption Zones and Requirements 2011/12 to 2015/16 - 2008 October Ad-hoc Tender Process

Zone	Zone ID	Contract Start Date	1/10/2011	1/10/2012	1/10/2013	1/10/2014	1/10/2015
		Contract End Date	30/9/2012	30/9/2013	30/9/2014	30/9/2015	30/9/2016
Scotland Zone 1	GT2000007	Minimum number of interruptible days	5	5	5	5	5
		Maximum number of interruptible days	72	75	77	80	83
		Aggregate Interruptible Capacity Quantity Required (SOQ) kWh	4,200,000	4,500,000	4,700,000	5,000,000	5,200,000
Scotland Zone 2	GT2000008	Minimum number of interruptible days	25	25	25	25	25
		Maximum number of interruptible days	36	36	39	39	41
		Aggregate Interruptible Capacity Quantity Required (SOQ) kWh	800,000	800,000	800,000	800,000	800,000
Scotland Zone 3	GT2000009	Minimum number of interruptible days	30	30	30	30	30
		Maximum number of interruptible days	45	54	54	60	63
		Aggregate Interruptible Capacity Quantity Required (SOQ) kWh	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Scotland Zone 4	GT2000010	Minimum number of interruptible days	40	40	40	40	40
		Maximum number of interruptible days	82	85	88	91	94
		Aggregate Interruptible Capacity Quantity Required (SOQ) kWh	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Scotland Zone 5	GT2000011	Minimum number of interruptible days	5	5	5	5	5
		Maximum number of interruptible days	45	45	45	45	45
		Aggregate Interruptible Capacity Quantity Required (SOQ) kWh	69,600,000	77,400,000	83,100,000	89,700,000	95,100,000

Appendix C – SGN Postcodes by Zone

Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
GT2000007	GT2000008	GT2000009	GT2000010	GT2000011
Huntly to Conon Bridge	Duns to Coldstream	Kilmarnock to Sanquhar	Ayrshire	Scotland–General Zone
AB37,AB38,AB44,AB45, AB53,AB54,AB55,AB56, IV1,IV2,IV3,IV4,IV5,IV6, IV7,IV8,V9,IV10,IV11, IV12,IV14,IV15,IV16, IV17,IV18,IV19,IV20, IV30,IV31,IV32,IV36	TD11,TD12,TD13	DG4,KA1,KA2,KA3,KA4, KA5,KA16,KA17,KA18	DG4,KA1,KA2,KA3,KA4,KA5,KA6, KA7,KA8,KA9,KA10,KA11,KA12, KA16,KA17,KA18,KA19,KA20, KA26	AB1,AB9,AB10,AB11,AB12,AB13,AB14,AB15,AB16,AB2,AB21,AB22, AB23,AB24,AB25,AB28,AB3,AB30,AB31,AB39,AB41,AB42,AB43,AB51, AB52,DD1,DD2,DD3,DD4,DD5,DD6,DD7,DD8,DD9,DD10,DD11,DG1, DG11,DG12,DG16,DG2,DG5,DG6,DG7,DG8,DG9,EH1,EH3,EH4,EH5,EH6, EH7,EH8,EH9,EH10,EH11,EH12,EH13,EH4,EH15,EH16,EH17,EH19,EH2, EH20,EH21,EH22,EH23,EH25,EH26,EH27,EH28,EH29,EH30,EH31,EH32, EH33,EH34,EH39,EH40,EH41,EH42,EH43,EH45,EH47,EH48,EH49,EH5, EH51,EH52,EH53,EH54,EH55,FK1,FK10,FK11,FK12,FK13,FK14,FK15, FK16,FK17,FK2,FK3,FK4,FK5,FK6,FK7,FK8,FK9,G1,G2,G3,G4,G5,G12, G11,G14,G15,G20,G21G22,G23,G24,G31,G32,G33,G40,G41,G42,G43,G44, G45,G46,G51,G52,G53,G58,G60,G61,G62,G63,G64,G65,G66,G67,G68,G69, G70,G71,G72,G73,G74,G75,G76,G77,G78,G79,G81,G82,G83,G84,KA13, KA14,KA15,KA21,KA22,KA23,KA24,KA25,KA29,KA30,KY1,KY10,KY11, KY12,KY13,KY14,KY15,KY16,KY2,KY3,KY4,KY5,KY6,KY7,KY8,KY9, KY99,ML1,ML2,ML3,ML4,ML5,ML6,ML7,ML9,PA1,PA2,PA3,PA4,PA5, PA6,PA7,PA8,PA9,PA10,PA11,PA12,PA13,PA14,PA15,PA16,PA17,PA18, PA19,PA20,PA23,PA34,PH1,PH2,PH3,PH6,PH7,PH9,PH11,PH12,PH13, PH14,PH15,PH16,TD1,TD4,TD5,TD6,TD7,TD8,TD9,TD10,TD14,TD15