

Interruption Seminar – Q & A Sessions

Q1. Will you publish details of the value of interruption to NGN, in order to guide bidders?

No. This information is commercially sensitive, and would be hard to calculate appropriately, as it depends upon how much capacity has been bid for in a particular zone. Shippers should base their tenders on the value of interruption to their customers.

Q2. What proportion of current interruptible load will be required from 2011?

Approximately 10% of existing interruptible capacity

Q3. If there are insufficient acceptable bids to satisfy the total zone load constraint, will you reject all and fully reinforce the zone?

No, partial reinforcement may be an option if insufficient suitable bids are received for a zone

Q4. Will customers have to pay for any reinforcement resulting from the 2008 tender process?

No. If the cost is less than £1m then NGN will pay. If more than £1m we can go to Ofgem for an additional allowance providing certain other criteria are met.

Q5. Will there be an increased likelihood of emergency interruption post 2011?

The risk of emergency interruption or firm load shedding is low and should remain so. The network will continue to be designed (and, where necessary, reinforced) to supply under the conditions expected in a 1 in 20 severe winter. All DNs are in discussion with the HSE, and presently no change is expected in this area.

Q6. Will I receive any recompense for any alternative fuel provisions I have?

No. Ofgem reiterated that customers retain an option to arrange commercial interruption with shippers and retain their dual fuel capability.

Q7. Can NGN provide current level of interruptible capacity by zone?

The interruption zone map on our website shows this information.

Q8. If my SOQ is lower in 2011 than I contracted for in 2008 what happens?

The contract will be automatically scaled down. The unit rates will remain as bid, but will be applied to the new, lower capacity.

Q9. If my SOQ is higher in 2011 than I contracted for in 2008 what happens?

If the 'extra' amount is required as interruptible capacity then there may be an ad hoc auction and all eligible customers in that zone can tender. If the DN does not require such extra capacity it will be classed as normal firm capacity.

Q10. Is it acceptable for shippers / customers to share information?

No. Shippers and customers should seek their own legal advice but be aware of Competition Act requirements

Q11. Which SOQ is utilised – the nominated or the bottom- stop SOQ?

The Nominated SOQ, as registered with xoserve and recorded in Sites and Meters, at the time that invitations are offered.

Q12. If a company is sold does the contract remain valid?

Yes, it will be derogated to the purchasers. Similarly if an end customer changes shipper then the new shipper will be subject to the contract

Q13. Can NGN monitor if sites have complied with instructions to interrupt?

In general there is no continuous telemetry from sites which have contracts for tranced interruption. Confirmation that the required level of interruption was achieved is recorded from the next day's Daily Read. However, System Operations calculate predicted pressure profiles and monitor pressures across the network. If actual pressures are below predicted they will investigate further and confirm by telephone that the site has interrupted sufficient tranches as instructed.

If a site fails to interrupt as instructed, the shipper will incur significant charges under the UNC

Industry initiatives towards AMR (Automated Meter Reading) will also improve the monitoring of such instances.

Q14. What will happen to firm charges going forward?

Firm charges will move broadly in line with our Allowed Revenue each year, but should fall marginally, with the removal of some current interruptible sites receiving a discount.

Q15. Can one negotiate when putting in bids?

No. NGN cannot discriminate between customers and must share information with all bidders in a zone. We cannot tell you whether your bid is too high or too low. If a zone is identified where there are insufficient days and/or capacity bid for then we can ask all in that zone to bid more rather than reject all bids. We cannot enter into discussions regarding price.

Q16. Would you have ad hoc auctions?

We do not have any plans to do so at the moment. Changes in capacity requirements may change this view

Q17. Is the tender an annual event?

Yes.

Q18. If it is an annual event but you have already reinforced some areas then the process has ended for those sites in reinforced zones. Is it therefore only an annual event for those zones where bidders are successful?

We will not require interruption for capacity reasons in areas that have been fully reinforced so bidders in these areas are unlikely to be required to offer interruption in the future unless there are additional capacity requirements.

Q19. Will a customer incur charges for reinforcement if they don't put in a bid?

If a customer does not bid then they will pay firm charges from 2011 but will incur no additional charges beyond this.

Q20. Is global warming affecting the 1 in 20 and 1 in 50 demand curve?

If there is a sustained increase in average temperatures, winters will become warmer and the 1 in 50 and 1 in 20 demand curves will become slightly lower.

Q21. What is a 1 in 20 demand?

This is peak demand that is not expected to occur more than one winter in 20.

Q22. As you are coping for more than 1 in 20 does that mean you will reduce load shedding

The minimum design requirement for the network will continue to be 1 in 20 conditions.

Q23. What is the period of depreciation for reinforcement?

45 years as set out by Ofgem

Q24. Do you buy all your exit capacity from NTS or do you buy interruption capacity?

We do not currently pay for exit capacity but we declare how much capacity we need daily – both flat and flexible capacity. There is a new UNC modification under development which will determine how we will be charged by NTS in the future.

Q25. Can Shippers submit a bid which varies with fuel prices?

No.

Q26. Will you be publishing details of the likelihood of interruption, and the appropriate split between Option and Exercise price?

It is not possible to forecast the likelihood of interruption being required. The Linked Bids facility provides the flexibility of submitting alternative bids at different option and exercise prices between which customers are neutral. It is up to customers to decide on the appropriate split.

Q27. If bidding in tranches will it be hourly basis or 24 hourly basis?

Interruption (either in tranches or for a full site) will be for 24-hour periods starting at 06:00. However, if bidding in tranches, as well as including the SOQ (daily quantity) on your bid, you will also need to tell us the hourly quantity (SHQ) that this relates to.

Q28. Is it true that after the tender process all interruptibles will be classed as firm? If interruptibles exceed normal capacity will they be ratcheted?

There will be no change until 2011. From 2011, all customers will be deemed firm according to the UNC. Therefore all customers will incur all relevant charges including ratchet charges if they exceed normal capacity. Customers who were successful in the Interruption tender process will have a contract for interruptible capacity. In order to avoid ratchet charges, ensure your Shipper maintains your SOQ at an appropriate level.

Q29. With reference to site size – are you more likely to choose a group of smaller sites?

We are indifferent to site size and will accept the most economic bids.

Q30. Are the bids going through the Gemini system?

No, they will be transmitted by xoserve via the standard Information Exchange system (IX)

Q31. Will shippers need to modify their systems?

Shippers will require systems that can interface with xoserve.

Q32. What is the minimum bid tranche?

The number of tranches in which a site can bid is determined by their annual capacity. For each 200,000 therms of annual capacity, a site can have 1 tranche. Therefore, a site with an annual capacity of up to 399,999 therms can only have 1 tranche; a site with an annual capacity of between 400,000 and 599,999 therms can have 2 tranches and so on. If a site is eligible to bid in tranches, it can choose how to divide its capacity between those tranches

Q33. How many interruptible sites do you have now?

Approximately 200

Q34. How many sites are eligible to tender?

Approximately 600 sites in our network have an annual load of more than 200,000 therms and are therefore eligible to bid.

Q35. Do you have any areas where there is one customer you are desperate to bid?

No

Q36. If a customer's bid is accepted would NGN have to give a reason for the interruption?

No

Q37. Is the window for SOQ files being extended?

This is currently a live industry issue. Any potential revisions will be communicated through the Joint Office of Gas Transporters.

Q38. Increasing SOQ – it is feasible that a customer could expand and wished to be firm. If no-one else bid could he be forced to?

No – we may have to reinforce. but the customer has the right to be firm and not offer itself as a potential interruptible site.

Q39. If a site is already firm and wanted extra firm is there then a possibility that that site could be forced to be interruptible

No, we cannot force sites to be interruptible. We could open an ad hoc auction and everyone else in the area could bid.

Q40. In relation to Q39 above, What if no-one bids?

Then we would reinforce. The “Economic Test” would determine how much customers would contribute. It is termed “specific reinforcement”.

Q41. How binding is the contract if someone wants to withdraw?

Customers wishing to withdraw can approach the DN for it to be considered but the contract is binding

Q42. How would you go about dealing with this example – I have 4 boilers and I can choose which to use on oil. Should I bid in tranches? Would that be beneficial to you in any way or would it be best for me?

You have an opportunity to bid in the manner which would be most convenient to you, providing your site has a sufficiently large load to utilise tranches.

If you offer your entire capacity in a single tranche then even if we need only half of your capacity, we will have to take you entirely off gas, but will pay for exercising the full volume.

If you offer your capacity in 4 tranches, then if we need half of your capacity, we will exercise 2 of your tranches. Therefore you will only have to switch 2 boilers to oil, but will only receive exercise payments for those 2 tranches.

Q43. If you accepted bids like that would you be confident in the metering equipment?

Yes. Metering is accurate to a fiscal standard.

Q44. There is a “DN comments” field in the bid tenders. Will you publish these in advance on your website or only on the Interruption Invitation itself?

Network and Zone specific DN comments are now available on the website. These will be reflected in the files issued by xoserve in the first week of May

Q45. Would you only take part of a tranche?

No. Contracts must always be exercised in full each day.

Q46. When will the post tender information be displayed?

31st July on the IAD system

Q47. With regard to the ad hoc bid process- will there be a minimum of 28 days between the invitation to tender and the commencement of the tender process? Would you be doing anything other than publication?

Ordinarily there would be a minimum of 28 days. However ad-hoc auctions can be held at shorter notice should the DN deem it an urgent issue. We will contact the relevant shippers and actively promote the process but we have no plans at the moment for any ad hoc bid process

Q48. If you had no bids at all for one area would you hold an ad hoc auction?

We do not anticipate holding any ad hoc auctions in 2008.

Q49. When will you publish transportation charges for the Gas Year 2008/09?

Confirmed unit rates will be published on 2 August, effective from 1 October.