

Interruption Reform

Questions & Answers

Interruption

Why do we need Distribution Network (DN) Interruption Reform?

Ofgem deemed that reform was necessary. Many of the current interruptibles are effectively firm as they have never been interrupted. This has led to a potential cross subsidy between firm and interruptible customers. By placing a licence requirement arising at the time of Network Sales, DNs have been obligated to reform the arrangements.

How will interruption requirements be publicised/made available?

This process will be handled by xoserve. xoserve will send out, to all eligible users, interruption requirements for all DNs by post code stating the capacity requirements and number of allowance days required.

Are all Distribution Networks operating to the same timescales?

Yes. Not only are the timescales identical but on behalf of all DNs, xoserve will administer the tender process for all users in a consistent manner. Individual DNs may differ in other parts of the process such as identifying their requirements or choosing successful bids; these issues would need to be addressed with each relevant DN.

If a customer is currently interruptible and doesn't bid into the process what happens?

The site, including Network Sensitive Loads (NSLs), will automatically revert to firm status as of 2011; the customer would then need to bid into the process the following year if it wished to revert to interruptible status.

Tender Process

When will shippers have sight of what the tender process will look like with respect to file formats?

xoserve is planning to trial the tender process including the necessary file formats with Shippers. The timescales for testing will be communicated by xoserve.

Will DNs indicate acceptable limits for a bid in order to help Shippers structure their bids?

No, this is a closed tender process. It will be up to Shippers how they structure their bids but it is envisaged this will be based on user costs.

After a shipper puts in a tender can it be amended?

As long as it is within the ten day bid window then a shipper can place, amend or withdraw bids.

If there are more tenders than required how will DNs decide which to accept?

This mechanism for tender evaluation is currently being developed. In general terms, the bids will be considered against the alternative costs of reinforcement and each other but, with everything else being equal, i.e. equal load, same location etc, the decision will be based on cost; the tender with the lower expected total cost being preferred.

What happens if a bidding customer changes shipper during the period of a tender process?

xoserve will ensure that this change will be captured.

Once a tender has been accepted can a customer change its mind and 'opt out'?

Once a tender has been accepted then the route for a customer to 'opt out' would be to place a request with the DN to go firm. The DN is not obliged to agree to the request to go firm.

How can a user bid into a process 3 years into the future, possibly for up to a 5 year contract period (effectively bidding up to 8 years into the future) Business processes/infrastructures change, alternative fuel costs are difficult to forecast?

We acknowledge this concern but require the 3 year period in order to lay any necessary reinforcement. Ad-hoc shorter contract periods may be available where circumstances necessitate; this will not be the norm.

What is the plan if no bids or insufficient bids are received, will you look at approaching customers with the view to re-running the tender.

No, there is only one bite at the cherry for this tender period. A 3 year lead-time has been built into the process to allow us to lay all necessary reinforcements to allow all users to go firm. Shippers and customers should note that if insufficient tenders are placed and as a consequence we reinforce the network, it is unlikely that we will require future interruption.

Post Tender

After the tender process has closed, what level of detail will be published of the results?

We will make public the highest bid, lowest bid and total number of bids per requirement area (postcode zone). If there are less than 3 successful shippers in a zone we will publish this information on an LDZ basis.

Post tender acceptance, will shippers have visibility of which site in a particular postcode zone has tendered the lowest exercise price and will therefore be most likely to be interrupted first.

This information is unlikely to be provided. The cost of interrupting a customer is just one consideration when deciding who to call for interruption. Other operational criteria may come into play which may override the lowest cost option.

Following a successful tender a User realises that the compensation received does not cover his costs; will it be allowed to revert to Firm status?

The customer can apply to the DN to go firm but we are not obligated to agree to this.

Transition Period

Do the transition arrangements between 2008 and 2011 cover those sites not within locations which require interruption from 2011?

Yes

For customers that are currently firm, what is the process for changing to Daily Metered status prior to the contract start date in 2011?

The current process and current charges will apply for sites wishing to become Daily Metered.

During the transition period of 2008 to 2011 can new customers onto the network opt to become interruptible?

Yes if they meet the requirements under the current methodology to do so.

If a current large NSL customer wishes to go firm prior to 2011 will it be allowed?

This will be considered on a case by case basis.

Payment/Charges

How will the option and exercise payments be made?

The tender process and any option and exercise payments will be paid by the DN to the relevant shipper. The option payment will be made on a monthly basis in arrears. The exercise payment will be paid for each interruptible day on a monthly basis also in arrears. The shipper will then pass any payments onto the end user. For a DN to make payments direct to the end user would require an amendment to the Gas Act.

What happens if a site fails to interrupt?

The current arrangements for calling for interruption will remain unchanged. The charges for failing to interrupt will become much more punitive. With fewer interruptible customers it will be imperative that once called, a customer ceases gas usage within the allowed time.

How does a DN collect any Failure to Interrupt Charges?

These charges will be collected from the relevant Shipper.

If a user is successful and also retains an amount of firm allocation but during a call for interruption goes slightly over the firm allocation what will the DN's response be?

This will be treated as a failure to interrupt and the punitive charges outlined earlier will apply. This reform will see fewer interruptible sites and it is imperative that all users who are called to interrupt do so for the full quantity called in order to protect firm (domestic) users.

General

What are the chances of being interrupted going forward post reform implementation?

Recent winters have been warmer than usual and interruption over recent years has been at a fairly low level. Post reform, networks will still be designed to the same specification, so the likelihood of any interruption being required is the same as present. However, the new regime may see a significant reduction in the number of sites that are interruptible, and so if interruption is required in any zone, the likelihood of a particular site being interrupted is increased.

What assurance can DNs give that through this process the Gas Safety Management (GSM) regulations won't be used as a way of getting interruption 'on the cheap'?

Emergency interruption is rare and generally occurs due to specific incidents rather than constraints on the network. In 2007, some DNs interrupted due to the severe flooding in their parts of the country. The HSE works with all DNs to ensure their Safety Case and firm load shedding arrangements are robust.

What happens to Interruptible/Firm Allowances (IFAs) under the new regime?

The concept of IFA will disappear. A customer can bid for part of his SOQ to become interruptible and retain an element of firm gas for any business critical processes if they wish. The current 'Buddy' system will also disappear with the new arrangements.

Could large currently interruptible sites be exposed to potential ratchet charges if they do not gain interruptible status from 2011?

This is a possible risk for customers. We would ask all Shippers and their customers to ensure the SOQ information we hold is accurate and not too low or too high (too high will incur additional capacity transportation charges)

Meter creep; will current arrangements surrounding this change?

The present tolerances applied to allowed 'meter creep' for current interruptible sites in the event of an interruption call will remain.

What will happen if an end user changes shipper during an interruptible contract period?

The interruptible contract passes to the incoming shipper. All option/exercise payments will be paid by the DN to the new shipper.

What will be the rules on how often a site can be interrupted?

The interruptible requirements will be issued prior to the tender process. The requirement may be less than the current 45 days, and will form the upper limit on how often a site may be called to interrupt.

Can shippers arrange for their customers contracts to be 'swapped' between themselves, i.e. facilitating between themselves their own 'opt out' process?

No, this is not possible at the moment; contracts will not be transferable between customers.

What changes will be made with regards to the Interruption notices DNs give as part of the call to interrupt?

Nothing will change to the current notices as part of this reform.

Do the reforms apply to Unique Sites also?

Yes

Do DNs hold and are they able to make available historical data on past interruption?

NGN will try and make information available on request.

What will the effect of less interruptible volume have on current transportation charges?

It is anticipated that there will be a slight reduction in firm transportation charges.

Do DNs see this reform as the beginning of the end for interruption and have long term plans for reinforcing the network to allow all users to be firm?

No, DNs preference is for interruption to continue. DNs want shippers to be part of the tender process and are doing everything they can to make it work. We acknowledge that through the reform the number of interruptible sites may be reduced but we are publicising the reform to facilitate participation in the new interruption regime.

The weather has been a big factor in the low levels of recent interruption; after this reform are DNs in danger of not having a safe level of interruptible demand?

DNs are obligated to provide distribution network capacity capable of supplying all firm sites up to a 1:20 winter scenario. This will not change following this reform.

Due to fewer interruptible supplies is Firm Load Shedding more likely in an Emergency sooner than at present?

This is possible; DNs are still in discussions with the HSE on this issue to ensure we can still meet all obligations under our Safety Case.

If a site is sold, is the new owner/occupier bound by any interruptible contract held by the shipper?

This should not be any different to the present processes.

What will happen if a new customer wishes to build a large site in an area that has interruptible customers?

We could either offer interruptible contracts within the area on an ad-hoc basis or we may offer the new customer a level of interruption based on the interruption contracts in that zone; we are still in discussion with Ofgem on this issue.

Will existing Network Sensitive Loads (NSLs) have to pay a contribution towards any necessary reinforcement if they are either unsuccessful in their bid or decide not to bid?

Ofgem has made it clear that the Economic Test should not be applied to loads going firm as a result of DN Interruption Reform. We are therefore not intending to apply the Economic Test in these circumstances.