

# **DN Interruptible Capacity Methodology Statement**

**Version 1.0**

**Issued on behalf of all DN Operators**

## 1.0 Introduction

- 1.1 Following the introduction of revised Distribution Network Interruption arrangements and in accordance with the Uniform Network Code (UNC) Distribution Network Operators are required to publish an Interruptible Capacity Methodology. This methodology has been developed on behalf of all DN Operators and sets out general arrangements for inviting and selecting applications for Interruptible LDZ Capacity and arrangements for the selection and acceptance of offers for interruption.
- 1.2 Detailed requirements relating to Interruptible LDZ Capacity are set out in the UNC Transportation Principal Document (TPD).
- 1.3 Specific interruption requirements for each DN Operator will be specified by each DN Operator in its Interruption Invitation.
- 1.4 For the purpose of this document all defined terms will have the same meaning as set out in the UNC. To the extent that any description or provision in this document differs from the UNC, UNC provisions will prevail.
- 1.5 Specific requirements relating to the Interruptible Capacity Methodology statement are set out in the UNC TPD Section G 6.2.1(d). This requires each DN Operator to establish an Interruptible Capacity Methodology setting out:-
  - (a) the financial terms (including terms as to Interruptible Option Price and Interruption Exercise Price) on which Interruption Offers may be made (see 2.9);
  - (b) the basis on which Interruption Offers will be ranked for selection (see 5.0);
  - (c) the basis on which Interruption Zones within an LDZ may be defined (see 2.12);
  - (d) different numbers of Days in an Interruptible Period which may comprise an Interruption Allowance (see 2.11);
  - (e) the basis on which Minimum Interruptible Amounts will be determined (see 5.1);
  - (f) such further matters as may be contemplated by UNC TPD Section G paragraph 6 or otherwise which the DN Operator may (with the approval of the Authority) decide to include.
- 1.6 This document sets out the Interruptible Capacity Methodology which a DN Operator will apply when determining their interruption requirements, inviting applications for interruption, assessing and selecting offers for interruption.
- 1.7 Users should be aware that even though a DN Operator issues an Interruption Invitation, should a DN Operator not be able to secure sufficient suitable Interruptible LDZ Capacity in an Interruption Zone, the DN Operator may not accept any Interruption Offers in which case all Supply Points in that Interruption Zone will be Firm, except to the extent a previous Interruption Offer has been accepted.

## 2.0 General Guidance and Description of Interruption Arrangements

- 2.1 The DN Operator will consider Interruption Offers from Users for sites (Daily Metered and Non-Daily Metered) that satisfy the following eligibility criteria:
  - An eligible Supply Point is an LDZ DM Supply Point for which the Annual Quantity is greater than 5,860,000 kWh (*200,000 therms*);

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- An eligible Supply Point must be DM for the relevant Interruptible Period and
  - The Supply Point must be in a geographical location where the DN Operator has identified there is a requirement for interruption.
- 2.2 A User at a Connected System Exit Point (CSEP) will be entitled to request Interruptible LDZ Capacity having due regard to the CSEP Network Exit Agreement and the requirements set out above, except to the extent that Daily Metering will not be required.
- 2.3 An Interruption Invitation will be issued by a DN Operator inviting Users to submit Interruption Offers in relation to eligible Supply Points in each Interruption Zone for an Interruptible Period. Each Interruption Invitation will specify the invitation date on which Users may submit Interruption Offers.
- 2.4 An Interruptible Period is a Gas Year or part of a Gas Year as determined by a DN Operator in which Capacity at a Supply Point can be offered by a User as Interruptible and designated as Interruptible by the DN Operator.
- 2.5 A Registered User of a Supply Point may submit an Interruption Offer to designate one or more tranches of DM Supply Point Capacity at an eligible Supply Point as Interruptible in any Interruptible Period.
- 2.6 An Interruptible Tranche of Supply Point Capacity at an LDZ Supply Point is a tranche (in kWh/Day) of DM Supply Point Capacity, offered as Interruptible by the Registered User. (For the avoidance of doubt, an Interruptible Tranche must comply with the minimum tranche size of 5,860,000 kWh per annum and the maximum number of tranches per Supply Point will be nine (9)).
- 2.7 Interruption must be offered for full Gas Days.
- 2.8 Interruption in respect of a tranche of Supply Point Capacity at an LDZ Supply Point means interruption of the offtake of gas from the LDZ at each Supply Meter Point comprised in the LDZ Supply Point on the DN Operator's instruction. Any references to an Interruptible Tranche being interrupted and to the DN Operator's right to interrupt an Interruptible Tranche shall be construed accordingly.
- 2.9 In relation to each Interruption Offer made by a User, for each Interruptible Tranche of Supply Point Capacity, at a Supply Point for an Interruptible Period the User must specify:
- (i) the amount (in kWh/Day of Supply Point Capacity) of the proposed Interruptible Tranche. Whilst not mandatory, DN Operators actively encourage participants to submit details of the SHQ as an indication of peak hourly load is required to effectively assess the Offer;
  - (ii) the Interruption Allowance being the number of Days in an Interruptible Period where each Interruptible Tranche of Supply Point Capacity may be Interrupted;
  - (iii) the Interruptible Option Price being an amount (if any) (in pence per kWh/Day of Interruptible Supply Point Capacity) that the User determines the DN Operator would be required (irrespective of Interruption) to pay to the User, in each month of the Interruptible Period should the Supply Point Capacity be designated as Interruptible;
  - (iv) the Interruption Exercise Price being an amount (if any) (in pence per kWh/Day of Supply Point Capacity per Day of Interruption) that the User determines the DN Operator would be required to pay to the User in respect of each Day upon which the DN Operator Interrupts such Interruptible Tranche;

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- 2.10 Supply Point Capacity at an LDZ Supply Point will be Interruptible in relation to a specific Interruptible Period only where an Interruption Offer has been made by a Registered User for an eligible Supply Point and such offer has been accepted by the relevant DN Operator following the issue of an Interruption Invitation. Otherwise, Supply Points will be classified as Firm.
- 2.11 The Interruption Allowance offered by Users will be subject to the maximum and minimum Interruption Allowance determined and specified for each Interruption Zone by the DN Operator as part of each Interruption Invitation. The minimum and maximum Interruption Allowance may vary depending on the DN Operator's requirements.
- 2.12 An Interruption Zone is the LDZ or part of an LDZ in respect of which an Interruption Invitation is issued. Each Interruption Zone will be a geographical area defined by the DN Operator according to physical constraints on the network and operational requirements. DN Operators will allocate a unique identifier to each of its Interruption Zones. Each zone will be defined by postcode. Details of Interruption Zones will vary from time to time as network characteristics and requirements vary. Changes will be communicated to Users. Details will be confirmed when Interruption Invitations are issued so that Users can structure Interruption Offers accordingly.

### **3.0 Interruption Invitation**

- 3.1 In each Gas Year (Y) and no later than twenty eight (28) days before the Annual Interruptible LDZ Capacity Invitation Date, DN Operators will notify Users of Interruption Zones within which Interruptible LDZ Capacity will be required for Gas Years Y+4 to Y+8 (inclusive). DN Operators will invite Users to submit Interruption Offers in respect of each of the Gas Years by issuing an "annual" Interruption Invitation. The invitation shall specify the actual invitation dates on which Users can submit Interruption Offers (which shall be 10 consecutive Business Days in June of Gas Year Y).
- 3.2 DN Operators may invite Interruption Offers at any other time in respect of any Interruptible Period (whether comprising all or part of any Gas Year), by issuing an "ad-hoc" Interruption Invitation. In such cases invitation details and dates will be determined by the DN Operator according to the circumstances requirements and will be specified in the invitation.
- 3.3 Each Interruption Invitation must meet requirements set out in the UNC TPD Section G but for guidance an Interruption Invitation will specify :-
- (a) the identity of the DN Operator;
  - (b) the Interruptible Period(s) in respect of which the invitation is issued;
  - (c) the LDZ and Interruption Zone(s) in respect of which the invitation is issued;
  - (d) an indicative list of qualifying Supply Points (using Supply Point ID) in each Interruption Zone for which the User is the Registered User;
  - (e) the invitation date(s);
  - (f) the Minimum Interruptible Amount required by the DN Operator in respect of each Interruption Zone and each Interruptible Period;

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- (g) an indication of the Interruption Allowances for each Interruption Zone and Interruptible Period. This can be specified in multiples of days if the DN determines this to be appropriate;
- (h) the anticipated maximum number of alternative Interruption Offers which may be submitted in respect of any Supply Point, Tranche of Supply Point Capacity and Interruptible Period for guidance purposes only and above which the DN Operator would not necessarily exclude from the interruption offer evaluation process;
- (i) the maximum and minimum Interruption Allowance for Interruption Offers which may be submitted in respect of any Supply Point, Tranche of Supply Point Capacity and Interruptible Period. This will vary from time to time depending on each DN Operator's requirements;
- (j) in respect of each of the available Interruption Allowances, the amount (if any), as estimated by the DN Operator at the time the Interruption Invitation is issued, of Supply Point Capacity (in excess of the amount which, at the time of the Interruption Invitation, is already Interruptible) in the Interruption Zone required to be Interruptible in each Interruptible Period;
- (k) such further terms and conditions of the invitation as may be required or permitted under this Interruptible Capacity Methodology.

### **4.0 Interruption Offer**

4.1 In addition to the details listed above, a Registered User of an eligible Supply Point in a relevant Interruption Zone wishing to submit Interruption Offers must comply with details set out in the UNC TPD Section G. Details must include:

- (a) the identity of the User;
- (b) the Interruption Invitation in respect of which the Interruption Offer is made;
- (c) the Supply Point in respect of which the Interruption Offer is made;
- (d) the Interruptible Period(s) in respect of which the Interruption Offer is made;
- (e) for each Supply Point, the Supply Point Capacity offered, specified as a SOQ. In accordance with 2.9 the SHQ associated with the Interruption Offer is also encouraged to allow DN Operators to effectively assess offers. Quantities of Interruptible LDZ Capacity offered must not exceed the Registered Supply Point Capacity at the time the offer is made;
- (f) for each Supply Point the User will specify for each proposed Interruptible Tranche the amount in kWh/Day and the SHQ of the proposed Interruptible Tranche;
- (g) such further details as may be required and specified in the invitation.

### **5.0 Evaluation of Interruption Offers**

5.1 The DN Operator will evaluate all validated and eligible Interruption Offers by Interruption Zone and Interruptible Period. It should be noted that the Minimum Interruptible Amount is calculated on the basis of the requirements at the network extremity. As a consequence, Interruption Offers will be selected which provide the optimum balance between securing the Minimum Interruptible Amount to

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economically and efficiently meet planning and operational requirements whilst taking account of all alternative planning and operational options available to the DN Operator. Depending on the combination and location of Interruption Offers within each Interruption Zone, it is possible that the full Minimum Interruptible Amount may not be required.

- 5.2 The process for securing the Minimum Interruptible Amount will be cumulative. The overall requirement for a particular Interruption Zone is likely to be high relative to each individual offer. Users should be assured that any Interruption Offer will be considered however small (in terms of capacity and number of days offered) subject to meeting the eligibility criteria. The converse also applies and any Interruptible amount which exceeds the overall requirement for a particular Interruption Zone will also be considered against the DN Operator's requirements and could still be selected if it is likely to be the most economic and efficient solution for the DN Operator relative to other alternatives.
- 5.3 In selecting appropriate offers the DN Operator will analyse the following factors for each Interruption Offer per Interruption Zone and Interruption Period(s):-
- (a) the Interruptible amount offered by each Supply Point;
  - (b) the locational impact of each Interruptible amount on the network;
  - (c) the Interruption Allowance offered by each Supply Point;
  - (d) the number of Interruptible Periods in the Interruption Offer;
  - (e) duration of the Interruption Offer relative to Interruptible Period(s);
  - (f) the total potential cost to the DN Operator of executing Interruption over the duration of the contract;
  - (g) the Interruptible Option Price and Interruption Exercise Price;
  - (h) any alternative reinforcement capital expenditure to provide the optimal solution to meet the DN Operator's Licence obligations and requirements;
  - (i) any alternative operating costs to provide the optimal solution to meet the DN Operators requirements;
- 5.4 The individual characteristics and requirements of each Interruption Zone combined with the potential variability of Interruption Offers mean that the interaction between the factors in 5.3 (a)-(j) are likely to be extremely complex. Each Interruption Offer will be assessed individually and relative to all other Interruption Offers to select the most economic and efficient combination of Interruption Offers which meet the DN Operators planning and operational requirements. It is, therefore, possible that relative to other Interruption Offers, an Interruption Offer may be selected to maximise overall long term efficiency but may not be optimal for one year in isolation. It is also possible that the DN Operator might not contract for the full Interruptible amount specified in the Interruption Invitation.
- 5.5 If insufficient or unsuitable Interruption Offers are received within an Interruption Zone the DN Operator may reject all Interruption Offers within that Interruption Zone and supply its capacity requirements through capital expenditure. **In this instance, it is possible that in subsequent Gas Years there will be no requirement for Interruption and that all Supply Points within that Interruption Zone will be Firm.**

## 6.0 Acceptance of Invitation Offers

- 6.1 The DN Operator will notify successful Users of those Interruption Offers which have been selected in accordance with UNC TPD Section G. Successful applications for Interruptible LDZ Capacity will be effective from the date specified in the notice of

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acceptance, taking account of details specified in the Interruption Offer submitted by the Registered User.

### **7.0 Notification of Unsuccessful Interruption Offers**

- 7.1 Those sites which are not successful will also be notified in accordance with provisions set out in the UNC TPD Section G and will otherwise be classified as Firm from 1<sup>st</sup> October 2011 or such other date as relevant to the extent that other Interruptible terms apply or applied under a previous Interruption Invitation.

### **8.0 General Reporting Requirements**

- 8.1 General reporting requirements will be as set out under UNC TPD Section G.

All other terms and conditions will be as specified in the UNC.