Procurement Guidelines Report

For the Period
01 April 2012 – 31 March 2013

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Executive Summary

National Grid has been given discretion with regard to the procurement of System Management Services, subject to an obligation under its Gas Transporter (GT) License to operate the system in an efficient, economic and co-ordinated manner, and taking into account its (System Operator) SO incentives.

National Grid confirms that System Management Services during the period covered by this report have been procured in accordance with the principles set out in the prevailing Procurement Guidelines, and therefore National Grid Gas considers that such activities satisfy its relevant License obligations.

1. Introduction

1.1 Purpose of the document

This document is the Procurement Guidelines Report ("Report") which National Grid is required to publish in accordance with Special Condition 8a of its GT licence. This Report provides information in respect of the procurement of System Management Services referred to in the Procurement Guidelines. The Procurement Guidelines set out the kinds of System Management Services which National Grid may be interested in purchasing, together with the mechanisms by which National Grid envisages purchasing such services.

This Report, which has been developed in consultation with the Authority, covers each of the services detailed in Table 1 of the Procurement Guidelines, and identifies contractual and market-related information for each of the services.

Terms used within this report shall have the same meaning given to them in National Grid's GT Licence and the Uniform Network Code, as the case may be.

Further copies of this Report may be obtained from
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1.2 Reporting Period

This Report has been prepared in accordance with Part B of Special Condition 8a This Condition states that the Report should be produced within one month after the publication date of the Procurement Guidelines which are prepared in accordance with Part B of this Condition.

The report includes details of System Management Services procured in relation to the gas flow period 1 April 2012 to 31 March 2013 inclusive.

This reporting period covers the last month of the Storage Year 2011/2012(April 2012) and the majority of Storage Year 2012/2013 May 2012 to March 2013).

2. Procurement of System Management Services

2.1 Definition of System Management Services

Special Condition 8a Part K of National Grid's GT Licence defines the System Management Services as the "services in relation to the balancing of gas inputs to and gas off takes from the NTS and includes balancing trades and balancing trade derivatives and constraint management services".

Table 1 in the Procurement Guidelines Report summarises the above System Management Services as being required for the following applications:

1. Operating Margins Gas
2. Constrained Storage
3. Shrinkage
4. Entry Capacity Management
5. Exit Capacity Management
6. Gas Balancing
7. OCM Collateralisation Costs

2.2 System Management Services Procured

The services National Grid procured in this period are summarised in Table 1.

Table 1 - Services Procured

1. Operating Margins (OM) The purpose of an OM system management service is to ensure Operational Balancing capability in the event of a supply failure, demand forecast change or plant failure. In addition, a quantity of OM is held in reserve to manage the orderly run-down of the system in an emergency.	
Service Component	**Component Description and Details**
Holdings Contracts (space and deliverability)	National Grid (OM) procures this service at the following storage facilities: ▪ NG LNG storage facilities (Avonmouth) ▪ Rough storage facility ▪ Hornsea storage facility ▪ Hole House Farm storage facility ▪ Grain LNG Importation terminal ▪ Aldbrough storage facility At National Grid LNG storage facilities, National Grid (OM) has priority over all other Users in procuring Storage Capacity for OM purposes. However, at Dragon LNG, Grain LNG, Langage Rough, Hornsea and Hole House Farm, National Grid (OM) has the same rights as any other User.

Table 1 - Services Procured

1. Operating Margins (OM)

The purpose of an OM system management service is to ensure Operational Balancing capability in the event of a supply failure, demand forecast change or plant failure. In addition, a quantity of OM is held in reserve to manage the orderly run-down of the system in an emergency.

Service Component

Component Description and Details

Holdings Contracts (space and deliverability)

Continued

For the period 1 April 2012 – 31 March 2013, National Grid Gas (OM) procured Operating Margins as follows:

Month	Facility	Space (kWh)	Unit cost (p/kWh/annum)	Deliverability (kWh/d)	Unit cost (p/kWh)
Apr-12	Hornsea	80,000,000	0.6717	0	0
	Avonmouth	145,400,000	3.5440	0	0
	Hatfield Moor	7,500,000	0.5932	0	0
	Rough	505,200,000	0.3010	0	0
	Hole House Farm	25,000,000	1.5200	0	0
May-12 to Mar-13	Aldbrough	49,066,486	1.0474	0	0
	Hornsea	101,557,14	0.9082	0	0
	Hole House Farm	25,000,000	1.5200	0	0
	Rough	486,737,313	0.4320	0	0
	Avonmouth	151,949,904	3.7800	0	0
Apr-12 to Dec-12	Isle of Grain	110,000,000	8.2924	0	0
Jan-13- to Mar-13	Isle of Grain	110,000,000	8.5364	0	0

Table 1 - Services Procured

1. Operating Margins (OM)

The purpose of an OM system management service is to ensure Operational Balancing capability in the event of a supply failure, demand forecast change or plant failure. In addition, a quantity of OM is held in reserve to manage the orderly run-down of the system in an emergency.

Service Component	Component Description and Details
Holdings Contracts (Delivery Arrangements)	National Grid Gas (OM) procures demand reduction and supply increase services for OM provision. ***For the period 1 April 2012 – 31 March 2013, National Grid Gas (OM) procured Operating Margins as follows:***

Month	Contract	OM Deliverability (kWh/d)	Price (p/kWh/d/annum)
Apr-12	Portfolio of Offtake Reduction and Supply Increase	16,800,000	1.7500
	Portfolio of Offtake Reduction	18,000,000	2.1500
	LNG Importation with Storage	34,500,000	1.6493
	LNG Importation with Storage	28,800,000	2.2569
	Single Demand Reduction Point	12,000,000	1.7583
May-12 to Mar-13	Portfolio of Offtake Reduction and Supply Increase	16,800,000	1.7500
	Portfolio of Offtake Reduction	18,000,000	2.3333
	LNG Importation with Storage	30,000,000	2.2500
	LNG Importation with Storage	30,000,000	2.4167
	LNG Importation with Storage	17,000,000	3.2337
	Single Demand Reduction Point	12,000,000	2.4583

Table 1 - Services Procured

1. Operating Margins (OM) The purpose of an OM system management service is to ensure Operational Balancing capability in the event of a supply failure, demand forecast change or plant failure. In addition, a quantity of OM is held in reserve to manage the orderly run-down of the system in an emergency.	
Service Component	**Component Description and Details**
Gas-in-storage 'Swap' tender	National Grid Gas (OM) utilises this service to address OM gas surpluses and deficits. National Grid Gas (OM) issues a 'swap tender' to Users, offering to trade gas in store at a facility where National Grid Gas has an OM surplus for shipper gas in store at a different facility where there is an OM deficit. Users may offer a payment to National Grid Gas or receive a payment from National Grid Gas, reflecting the different injection values attached to the gas. ***No Gas-in-storage SWAP tenders have been made between 1 April 2012 and 31 March 2013.***

Table 1 - Services Procured

1. Operating Margins (OM)

The purpose of an OM system management service is to ensure Operational Balancing capability in the event of a supply failure, demand forecast change or plant failure. In addition, a quantity of OM is held in reserve to manage the orderly run-down of the system in an emergency.

Service Component	Component Description and Details
Gas Procurement	National Grid Gas (OM) utilises this service to address an Operating Margins gas deficit at a given storage facility where National Grid Gas holds Operating Margins Capacity Arrangements. National Grid Gas (OM) either issues a tender to Users to meet its requirements or injects gas that has been withdrawn from storage facilities with an Operating Margins gas surplus. Typically, National Grid Gas invites Users to offer to sell gas either in store or at the NBP although National Grid Gas may contract for the purchase of OM gas (as to all or any part of its requirements). ***For the period 1 April 2012 – 31 March 2013, National Grid (OM) procured this service as follows:***

Month	Facility	In-store quantity (kWh)	NBP quantity (kWh)	In-store weighted average price (p/kWh)	NBP weighted average price (p/kWh)
May-12	Hornsea	21,557,823		2.0612	
	Avonmouth		6,549,900		1.9792
	Aldbrough		49,066,470		1.9792

Table 1 - Services Procured

1. Operating Margins (OM)

The purpose of an OM system management service is to ensure Operational Balancing capability in the event of a supply failure, demand forecast change or plant failure. In addition, a quantity of OM is held in reserve to manage the orderly run-down of the system in an emergency.

Service Component	Component Description and Details
Gas Disposal	National Grid Gas (OM) utilises this service to address a gas surplus at a given storage facility where National Grid Gas holds or has held Operating Margins Capacity Arrangements. National Grid Gas (OM) either issues a tender to Users to meet its requirements or withdraws gas to inject into storage facilities with an Operating Margins gas deficit. Typically, National Grid Gas invites Users to bid to buy gas either in store or at the NBP. ***For the period 1 April 2012 – 31 March 2013, National Grid (OM) procured this service as follows:***

Month	Facility	In-store quantity (kWh)	NBP quantity (kWh)	In-store weighted average price (p/kWh)	NBP weighted average price (p/kWh)
May-12	Rough	18,462,687		1.9937	
	Hatfield Moor	7,473,312		1.9483	

Table 1 - Services Procured

1. Operating Margins (OM) The purpose of an OM system management service is to ensure Operational Balancing capability in the event of a supply failure, demand forecast change or plant failure. In addition, a quantity of OM is held in reserve to manage the orderly run-down of the system in an emergency.	
Service Component	**Component Description and Details**
OM Transfer between Storage Facilities	National Grid Gas (OM) utilises this service to address a gas-in-store surplus or deficit by transferring OM gas between Storage Facilities. ***No Transfers between storage facilities have been made between 1 April 2012 and 31 March 2013.***
OM Utilisation	National Grid Gas (OM) utilises Operating Margins services to ensure Operational Balancing capability in the event of a supply failure, demand forecast change or plant failure. ***No Utilisations have occurred between 1 April 2012 and 31 March 2013.***

2. Constrained Storage

The purpose of a constrained storage service is to economically meet 1 in 20 capacity obligations at the Network extremities.

For the period 1 April 2012 – 31 March 2013

Month	Facility	Shipper Booked Deliverability (kWh)	Transportation Credit (p/kWh/day)
May 2012 to March 2013	Avonmouth LNG	151,670,000	0.9489

3. Shrinkage

The NTS Shrinkage Provider manages the risk exposure associated with the shrinkage account. Shrinkage covers gas for own use (running of compressors, vented gas, gas used for preheating) and to cover any gas losses (unidentified theft, meter errors, leakage and CV shrinkage associated with variations in calorific value of gas). The account is subject to normal cash-out arrangements if the daily gas quantities delivered to the system do not match the Daily Shrinkage Quantities.

National Grid manages this service by trading gas at the beach or at the NBP, following the approval of Network Code Modification Proposals 0579 (Feb 2003) and 0599 (April 2004)

Service Component: NBP Trades

Component Description and Details

For 1 April 2012 to 31 March 2013, National Grid procured NTS shrinkage via NBP trades as follows:

Month	Total Quantity Purchased (kWh)	Purchase Cost (£)	Weighted Average Purchase Price (p/kWh)	Total Quantity Sold (kWh)	Sell Revenue (£)	Weighted Average Sell Price (p/kWh)
Apr-12	275,926,347	5,655,407.50	2.0496	42,495,295	867850.00	2.0422
May-12	296,441,317	6,052,297.50	2.0417	27,255,603	507922.50	1.8636
Jun-12	295,708,639	5,963,075.00	2.0165	1,465,355	27800.00	1.8972
Jul-12	270,064,927	5,501,207.50	2.0370	0	-	0.0000
Aug-12	330,730,624	6,607,292.50	1.9978	0	-	0.0000
Sep-12	246,912,318	5,062,475.00	2.0503	66,380,582	1385140.00	2.0867
Oct-12	331,902,908	7,828,562.50	2.3587	0	-	0.0000
Nov-12	338,643,541	7,987,437.50	2.3587	0	-	0.0000
Dec-12	450,215,670	10,566,298.00	2.3469	7,795,689	178251.50	2.2865
Jan-13	456,370,161	10,699,361.30	2.3444	0	-	0.0000
Feb-13	504,521,727	12,023,797.50	2.3832	0	-	0.0000
Mar-13	387,000,256	9,941,315.00	2.5688	0	-	0.0000

3. Shrinkage

The NTS Shrinkage Provider manages the risk exposure associated with the shrinkage account. Shrinkage covers gas for own use (running of compressors, vented gas, gas used for preheating) and to cover any gas losses (unidentified theft, meter errors, leakage and CV shrinkage associated with variations in calorific value of gas). The account is subject to normal cash-out arrangements if the daily gas quantities delivered to the system do not match the Daily Shrinkage Quantities.

National Grid manages this service by trading gas at the beach or at the NBP, following the approval of Network Code Modification Proposals 0579 (Feb 2003) and 0599 (April 2004)

Service Component: Imbalance Cash-out

Component Description and Details

From 1 April 2012 to 31 March 2013, National Grid's imbalance cash-out for the NTS shrinkage account was as follows:

Month	Quantity Purchased (under delivered) (kWh)	Purchase Cost (at SMP_b) (£)	Weighted Average Cost (p/kWh)	Quantity Sold (over delivered) (kWh)	Sell Revenue (at SMP_s) (£)	Weighted Average Revenue (p/kWh)
Apr-12	11,928,651	249,916.11	2.0951	8,456,560	169,063.97	1.9992
May-12	23,020,852	459,983.26	1.9981	5,719,750	103,247.65	1.8051
Jun-12	15,821,570	311,009.12	1.9657	2,861,507	53,014.36	1.8527
Jul-12	14,100,390	269,857.22	1.9138	1,640,174	29,993.12	1.8287
Aug-12	25,898,535	484,063.07	1.8691	1,166,190	22,083.31	1.8936
Sep-12	5,189,048	106,974.72	2.0615	13,065,619	267,144.30	2.0446
Oct-12	30,102,242	670,507.93	2.2274	268,913	5,567.35	2.0703
Nov-12	29,106,303	656,715.63	2.2563	92,222	2,026.86	2.1978
Dec-12	27,945,272	626,389.66	2.2415	3,260,560	71,524.97	2.1936
Jan-13	19,041,372	445,884.03	2.3417	2,298,430	50,429.73	2.1941
Feb-13	21,268,258	533,674.79	2.5093	1,112,347	25,264.63	2.2713
Mar-13	33,603,313	1,031,243.47	3.0689	3,592,837	95,246.22	2.6510

4. Entry Capacity Management

The purpose of an entry capacity management service is to enable National Grid Gas to efficiently manage entry capacity rights. Entry capacity holdings may need to be reduced to either efficiently manage capacity risk exposure or to reduce holdings, and thereby manage flows onto the system. National Grid Gas may buyback entry capacity from Users via the Gemini entry capacity system or it may enter into Capacity Management Agreements (CMAs). National Grid may develop further services or enter into contracts that will enable it to better manage both its operational and commercial risks.

Service Component: Buybacks on Gemini

Component Description and Details

For the period 1 April 2012 – 31 March 2013, National Grid Gas procured these services as follows:

Month	ASEP	No. of days on which offers accepted	No. of offers accepted	Quantity accepted (kWh)	Weighted average price (p/kWh)
Apr-12	None	0	0	0	0
May-12	None	0	0	0	0
Jun-12	None	0	0	0	0
Jul-12	None	0	0	0	0
Aug-12	None	0	0	0	0
Sep-12	None	0	0	0	0
Oct-12	None	0	0	0	0
Nov-12	None	0	0	0	0
Dec-12	None	0	0	0	0
Jan-13	None	0	0	0	0
Feb-13	None	0	0	0	0
Mar-13	None	0	0	0	0

4. Entry Capacity Management

The purpose of an entry capacity management service is to enable National Grid Gas to efficiently manage entry capacity rights. Entry capacity holdings may need to be reduced to either efficiently manage capacity risk exposure or to reduce holdings, and thereby manage flows onto the system. National Grid Gas may buyback entry capacity from Users via the Gemini entry capacity system or it may enter into Capacity Management Agreements (CMAs). National Grid may develop further services or enter into contracts that will enable it to better manage both its operational and commercial risks.

Service Component: CMAs – Options Agreements

Component Description and Details:

For the period 1 April 2012 – 31 March 2013, National Grid Gas procured these services as follows:

Period	ASEP	Total Quantity Accepted (kWH)	Cost of Option (£)
Apr-12	None	0	0
May-12	None	0	0
Jun-12	None	0	0
Jul-12	None	0	0
Aug-12	None	0	0
Sep-12	None	0	0
Oct-12	None	0	0
Nov-12	None	0	0
Dec-12	None	0	0
Jan-13	None	0	0
Feb-13	None	0	0
Mar-13	None	0	0

4. Entry Capacity Management

The purpose of an entry capacity management service is to enable National Grid Gas to efficiently manage entry capacity rights. Entry capacity holdings may need to be reduced to either efficiently manage capacity risk exposure or to reduce holdings, and thereby manage flows onto the system. National Grid Gas may buyback entry capacity from Users via the Gemini entry capacity system or it may enter into Capacity Management Agreements (CMAs). National Grid may develop further services or enter into contracts that will enable it to better manage both its operational and commercial risks.

Service Component

CMAs – Forwards Agreements

Component Description and Details

For the period 1 April 2012 – 31 March 2013, National Grid Gas procured these services as follows:

Month	ASEP	Quantity utilised (kWh)	Total Cost of Forward Buybacks (£)
Apr-12	None	0	0
May-12	None	0	0
Jun-12	None	0	0
Jul-12*	None	5,115,000,000	0
Aug-12	None	0	0
Sep-12	None	0	0
Oct-12	None	0	0
Nov-12	None	0	0
Dec-12	None	0	0
Jan-13	None	0	0
Feb-13	None	0	0
Mar-13	None	0	0

* A number of Forwards Agreements were entered into with Shippers in order to facilitate the connection and commissioning of the Tirley PRI in July 2012. The costs of these agreements were included as part of the capital cost of the works and did not flow into system operator costs. As these costs do not therefore have a direct impact on Users, National Grid is exercising its discretion (as described in Part B section 5 of the System Management Principles Statement) to withhold this cost information so as not to prejudice the outcome of any future agreements of a similar nature.

4. Entry Capacity Management

The purpose of an entry capacity management service is to enable National Grid Gas to efficiently manage entry capacity rights. Entry capacity holdings may need to be reduced to either efficiently manage capacity risk exposure or to reduce holdings, and thereby manage flows onto the system. National Grid Gas may buyback entry capacity from Users via the Gemini entry capacity system or it may enter into Capacity Management Agreements (CMAs). National Grid may develop further services or enter into contracts that will enable it to better manage both its operational and commercial risks.

Service Component: CMAs – Options Utilisation

Component Description and Details:

For the period 1 April 2012 – 31 March 2013, National Grid Gas procured these services as follows:

Month	ASEP	Quantity utilised (kWh)	Total Cost of utilisation (option+exercise) (£)	No. of days on which option exercised
Apr-12	None	0	0	0
May-12	None	0	0	0
Jun-12	None	0	0	0
Jul-12	None	0	0	0
Aug-12	None	0	0	0
Sep-12	None	0	0	0
Oct-12	None	0	0	0
Nov-12	None	0	0	0
Dec-12	None	0	0	0
Jan-13	None	0	0	0
Feb-13	None	0	0	0
Mar-13	None	0	0	0

5. Exit Capacity Management

The purpose of an exit capacity management service is to enable the system to accommodate gas flows in accordance with Users' exit capacity rights. In the event of desired exit flows exceeding capability, National Grid may procure a range of demand/supply side services in order to achieve the desired changes in gas flows. National Grid Gas may buyback exit capacity from Users via the Gemini exit capacity system or it may enter into Capacity Management Agreements (CMAs), to manage NTS exit constraints and/or Network Gas Supply Emergencies. National Grid may develop further services or enter into contracts that will enable it to better manage both its operational and commercial risks.

Service Component

Component Description and Details

Buybacks on Gemini

For the period 1 April 2012 – 31 March 2013, National Grid Gas procured these services as follows:

Month	ASEP	No. of days on which offers accepted	No. of offers accepted	Quantity accepted (kWh)	Weighted average price (p/kWh)
Apr-12	None	0	0	0	0
May-12	None	0	0	0	0
Jun-12	None	0	0	0	0
Jul-12	None	0	0	0	0
Aug-12	None	0	0	0	0
Sep-12	None	0	0	0	0
Oct-12	None	0	0	0	0
Nov-12	None	0	0	0	0
Dec-12	None	0	0	0	0
Jan-13	None	0	0	0	0
Feb-13	None	0	0	0	0
Mar-13	None	0	0	0	0

5. Exit Capacity Management

The purpose of an exit capacity management service is to enable the system to accommodate gas flows in accordance with Users' exit capacity rights. In the event of desired exit flows exceeding capability, National Grid may procure a range of demand/supply side services in order to achieve the desired changes in gas flows. National Grid Gas may buyback exit capacity from Users via the Gemini exit capacity system or it may enter into Capacity Management Agreements (CMAs), to manage NTS exit constraints and/or Network Gas Supply Emergencies. National Grid may develop further services or enter into contracts that will enable it to better manage both its operational and commercial risks.

Service Component	Component Description and Details
CMAs – Options Agreements	***For the period 1 April 2012 – 31 March 2013, National Grid Gas procured these services as follows:***

Period	ASEP	Total Quantity Accepted (kWH)	Cost of Option (£)
Apr-12	None	0	0
May-12	None	0	0
Jun-12	None	0	0
Jul-12	None	0	0
Aug-12	None	0	0
Sep-12	None	0	0
Oct-12	None	0	0
Nov-12	None	0	0
Dec-12	None	0	0
Jan-13	None	0	0
Feb-13	None	0	0
Mar-13	None	0	0

5. Exit Capacity Management

The purpose of an exit capacity management service is to enable the system to accommodate gas flows in accordance with Users' exit capacity rights. In the event of desired exit flows exceeding capability, National Grid may procure a range of demand/supply side services in order to achieve the desired changes in gas flows. National Grid Gas may buyback exit capacity from Users via the Gemini exit capacity system or it may enter into Capacity Management Agreements (CMAs), to manage NTS exit constraints and/or Network Gas Supply Emergencies. National Grid may develop further services or enter into contracts that will enable it to better manage both its operational and commercial risks.

Service Component

CMAs – Forwards Agreements

Component Description and Details

For the period 1 April 2012 – 31 March 2013, National Grid Gas procured these services as follows:

Month	ASEP	Quantity utilised (kWh)	Total Cost of Forward Buybacks (£)
Apr-12	None	0	0
May-12	None	0	0
Jun-12	None	0	0
Jul-12	None	0	0
Aug-12	None	0	0
Sep-12	None	0	0
Oct-12	None	0	0
Nov-12	None	0	0
Dec-12	None	0	0
Jan-13	None	0	0
Feb-13	None	0	0
Mar-13	None	0	0

5. Exit Capacity Management

The purpose of an exit capacity management service is to enable the system to accommodate gas flows in accordance with Users' exit capacity rights. In the event of desired exit flows exceeding capability, National Grid may procure a range of demand/supply side services in order to achieve the desired changes in gas flows. National Grid Gas may buyback exit capacity from Users via the Gemini exit capacity system or it may enter into Capacity Management Agreements (CMAs), to manage NTS exit constraints and/or Network Gas Supply Emergencies. National Grid may develop further services or enter into contracts that will enable it to better manage both its operational and commercial risks.

Service Component	Component Description and Details
CMAs – Options Utilisation	***For the period 1 April 2012 – 31 March 2013, National Grid Gas procured these services as follows:***

Month	ASEP	Quantity utilised (kWh)	Total Cost of utilisation (option+exercise) (£)	No. of days on which option exercised
Apr-12	None	0	0	0
May-12	None	0	0	0
Jun-12	None	0	0	0
Jul-12	None	0	0	0
Aug-12	None	0	0	0
Sep-12	None	0	0	0
Oct-12	None	0	0	0
Nov-12	None	0	0	0
Dec-12	None	0	0	0
Jan-13	None	0	0	0
Feb-13	None	0	0	0
Mar-13	None	0	0	0

5. Exit Capacity Management

The purpose of an exit capacity management service is to enable the system to accommodate gas flows in accordance with Users' exit capacity rights. In the event of desired exit flows exceeding capability, National Grid may procure a range of demand/supply side services (including interruption) in order to achieve the desired changes in gas flows. The interruption services may be procured to manage NTS constraints and/or Network Gas Supply Emergencies.

Service Component	Component Description and Details
Interruption to manage NTS constraints	On 1 April 2012, National Grid had interruption access to 27 sites (NTS Power Stations, Industrial Sites and the Moffat Interconnector) with an aggregate potential available interruption of 1085.3 GWh (excluding Bacton Interconnector) In addition, the NTS also had access to a potential 1128.6 GWh of Interruption at the Bacton Interconnector along with 9 Storage Sites. ***During the period 1st April 2012 to 30th September 2012 National Grid had no requirement to initiate interruption The option of Interruption was removed upon the implementation of Exit Reform on 1st October 2012. During the period 01 April 2012 to 31 March 2013, National Grid had no requirement for a National Gas Supply Emergency.***

6. Gas Balancing

The purpose of a gas balancing system management service is to enable National Grid, acting in its role as residual system balancer, to balance the gas inputs to and offtakes from the NTS, within acceptable levels. In order to achieve the desired gas flows, National Grid may carry out 'prompt' gas trades or enter into forwards/options energy contracts ('non-gas-trade' tools which may be used for achieving gas balance are covered under 'entry capacity management' and 'exit capacity management').

Service Component	Component Description and Details
OCM trades	National Grid trades on the ICE Endex On-the-day Commodity Market (OCM) day ahead and/or within day to resolve imbalances. OCM trades are deployed to achieve both national system balance and to meet localised requirements. For national system requirements, National Grid trades in all three OCM markets i.e. physical, title and locational. For localised requirements, National Grid only trades in the locational market. ***During the period 1 April 2012 to 31 March 2013, National Grid carried out the following OCM trades:***

6. Gas Balancing

The purpose of a gas balancing system management service is to enable National Grid, acting in its role as residual system balancer, to balance the gas inputs to and offtakes from the NTS, within acceptable levels. In order to achieve the desired gas flows, National Grid may carry out 'prompt' gas trades or enter into forwards/options energy contracts ('non-gas-trade' tools which may be used for achieving gas balance are covered under 'entry capacity management' and 'exit capacity management').

Service Component	Component Description and Details
OCM 'Title' trades to address a National Requirement	

National 'NBP Title' Trades

Month	No. of days on which trades accepted	No. of Trade buys	No. of Trade sells	Quantity Purchased (kWh)	Quantity Sold (kWh)	Purchase cost (£)	Sell revenue (£)	Weighted Average Purchase Price (p/kWh)	Weighted Average Sell Price (p/kWh)
Apr-12	18	115	99	279,912,116	260,598,737	5,845,623	5,232,276	2.0884	2.0078
May-12	24	204	222	491,450,770	552,292,306	9,559,100	10,329,255	1.9451	1.8726
Jun-12	17	103	85	197,441,941	234,574,033	3,994,269	4,310,389	2.0230	1.8375
Jul-12	11	69	80	167,636,612	205,237,623	3,201,328	3,881,772	1.9097	1.8914
Aug-12	20	121	137	328,063,681	320,561,066	6,269,054	5,862,097	1.9109	1.8287
Sep-12	14	183	12	399,514,396	28,076,203	8,536,380	562,954	2.1367	2.0051
Oct-12	21	141	242	369,591,841	530,487,840	7,998,324	11,277,954	2.1641	2.1260
Nov-12	18	144	92	344,065,359	178,069,947	7,777,482	3,966,482	2.2605	2.2275
Dec-12	17	94	136	225,752,594	315,871,928	5,168,251	7,019,915	2.2859	2.2224
Jan-13	20	111	190	272,380,196	439,782,352	6,452,079	9,695,966	2.3688	2.2047
Feb-13	12	96	118	268,834,033	312,560,225	6,798,062	7,254,753	2.5287	2.3211
Mar-13	25	143	233	309,600,218	571,254,004	9,189,013	15,245,052	2.9680	2.7691

6. Gas Balancing

The purpose of a gas balancing system management service is to enable National Grid, acting in its role as residual system balancer, to balance the gas inputs to and offtakes from the NTS, within acceptable levels. In order to achieve the desired gas flows, National Grid may carry out 'prompt' gas trades or enter into forwards/options energy contracts ('non-gas-trade' tools which may be used for achieving gas balance are covered under 'entry capacity management' and 'exit capacity management').

Service Component

Component Description and Details

OCM 'Physical' trades to address a National Requirement

National 'Physical' Trades

Month	No. of days on which trades accepted	No. of Trade buys	No. of Trade sells	Quantity Purchased (kWh)	Quantity Sold (kWh)	Purchase cost (£)	Sell revenue (£)	Weighted Average Purchase Price (p/kWh)	Weighted Average Sell Price (p/kWh)
No OCM Physical trades were conducted in this period to address a National Requirement.									

OCM 'Locational' trades to address a National Requirement

National 'Locational' Trades

Month	No. of days on which trades accepted	No. of Trade buys	No. of Trade sells	Quantity Purchased (kWh)	Quantity Sold (kWh)	Purchase cost (£)	Sell revenue (£)	Weighted Average Purchase Price (p/kWh)	Weighted Average Sell Price (p/kWh)
No locational trades were conducted in this period to address a National Requirement									

6. Gas Balancing

The purpose of a gas balancing system management service is to enable National Grid, acting in its role as residual system balancer, to balance the gas inputs to and offtakes from the NTS, within acceptable levels. In order to achieve the desired gas flows, National Grid may carry out 'prompt' gas trades or enter into forwards/options energy contracts ('non-gas-trade' tools which may be used for achieving gas balance are covered under 'entry capacity management' and 'exit capacity management').

Service Component	Component Description and Details
OCM 'Locational' trades to address a Localised Requirement	

'Locational' Trades

Month	No. of days on which trades accepted	No. of Trade buys	No. of Trade sells	Quantity Purchased (kWh)	Quantity Sold (kWh)	Purchase cost (£)	Sell revenue (£)	Weighted Average Purchase Price (p/kWh)	Weighted Average Sell Price (p/kWh)
Mar-13	2	0	10	0	51,287,425	0	846,694	0	1.6509

7. OCM Collateralisation Costs

National Grid Gas, in its role as the residual system balancer, is required to provide collateralisation to APX Commodities Ltd in order to utilise the OCM for system balancing purposes. The costs incurred by National Grid Gas to provide the collateralisation are recovered from the Users through a balancing neutrality charge.

For the period 1 April 2012 to 31 March 2013, National Grid Gas incurred OCM collateralization costs of £82,106