

# **Procurement Guidelines for Distribution Annual Report**

For the Period  
01 April 2005 – 31 March 2006

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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 Distribution Licence 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 considers that such activities satisfy its relevant GT Distribution Licence 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 D5 of the Gas Distribution Licence. This Report provides information in respect of the procurement of System Management Services referred to in the Procurement Guidelines which sets 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 the Procurement Guidelines Statement.

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

Further copies of this Report may be obtained from <http://www.nationalgrid.com/uk/gas> under ‘Operational Info - Procurement and use of System Management Services’ or from:

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### 1.2 Reporting Period

This Report has been prepared in accordance with Standard Special Condition D5 paragraph 4. This Condition states that the Report should be produced within one month after the publication date of the Procurement Guidelines that are prepared in accordance with paragraph 3 of this Condition.

This report includes details of System Management Services procured in relation to the gas flow period 1 April 2005 to 31 March 2006 inclusive.

This report covers all Networks for the month of April 2005 including those sold by National Grid through the Network Sales process completed in June 2005.

For the period 1<sup>st</sup> May 2005 to 31<sup>st</sup> March 2006, the report covers only those Networks retained by National Grid Gas Distribution (UKD) following Network Sales. These are detailed below.

- North West Network
- West Midlands Network
- East of England Network
- London Network.

## **2. Procurement of System Management Services**

### **2.1 Definition of System Management Services**

System Management Services are those services that National Grid needs to procure in order to operate its Distribution pipe-line system in an efficient, economic and co-ordinated manner.

Such services may be provided from a variety of sources. For example National Grid may access existing mechanisms or markets. This might for example be via a Trading system or alternatively it may be via other contractual frameworks.

The Procurement Guidelines summarises the above System Management Services as being required for the following applications:

- Shrinkage
- DN Entry Capacity Management
- Storage
- Interruption.

### **2.2 System Management Services Procured**

The services National Grid procured in this period are summarised in the Tables below:

**Table 1 - Shrinkage****Service Component Description**

Shrinkage is the gas that is used or lost by the Transporter in the operation of the distribution network and includes any gas losses due to unidentified theft, meter errors, leakage and CV Shrinkage.

**Component Details**

**April 2005 procured shrinkage gas – National Grid.  
(All Networks)**

<b>Month</b>	<b>Quantity Purchased (kWh)</b>
April-05	138582582.5

**1<sup>st</sup> May 2005 to 31<sup>st</sup> March 2006 procured shrinkage gas – UKD  
(Retained Networks)**

<b>Month</b>	<b>Quantity Purchased (kWh)</b>
May-05	165747576.8
June-05	105874661.8
July-05	94730761.49
August-05	138582582.5
September-05	109446946
October-05	164580230.7
November-05	294654607.7
December-05	338888971.4
January-06	356075788.6
February-06	324729679.1
March-06	314862469.2

**Table 2 -DN Entry Capacity Management****Service Component Description**

**In order to manage flows into the distribution networks National Grid procures flow capability through NTS Offtakes. The flow, based on capability is managed through a flat capacity requirement (peak daily flow) and a flex capacity requirement (flow between 06:00 and 22:00 relative to end of day flow).**

**Component Details**

**Procured Flat & Flex Capacity– National Grid.  
Retained LDZs – 1<sup>st</sup> April 2005 to 30<sup>th</sup> September 2005. All other LDZs 1<sup>st</sup> to 30<sup>th</sup> April 2005 only**

<b>LDZ</b>	<b>Flat Capacity (GWh/day)</b>	<b>Flex Capacity (GWh/d)</b>
East Anglia	365.49	8.01
East Midlands	482.59	9.87
North London	487.02	10.78
Northern	270.89	0.75
North West	542.17	14.54
Scotland	354.72	40.78
South	349.92	13.13
South East	517.78	0.00
South West	277.95	7.62
Wales North	44.28	0.00
Wales South	194.77	(-2.67)
West Midlands	446.24	(-1.74)
Yorkshire	282.62	5.85

**1<sup>st</sup> May 2005 to 31<sup>st</sup> March 2006 procured Flat & Flex Capacity – UKD  
(Retained Networks)**

<b>LDZ</b>	<b>Flat Capacity (GWh/day)</b>	<b>Flex Capacity (GWh/d)</b>
East Anglia	365.44	10.10
East Midlands	483.87	12.84
North London	496.07	(-5.83)
North West	542.87	37.07
West Midlands	442.88	(-3.11)



### **Table 3 –Storage**

#### **Service Component Description**

Offtake from National Grid's Distribution Network follows an identifiable diurnal pattern. These fluctuations in demand are managed through the use of Diurnal Storage services including internal LDZ storage, either low or high pressure, linepack and NTS swing. Diurnal Storage gas is the quantity of gas required in any given gas day that will balance the input (supply) to match the gas demand at the parts of the day where that demand exceeds the supply. This gas will then be put back into store over night with a net storage use effect across the day of zero.

#### **Component Details**

##### **April 2005 Procured Storage Services – National Grid (All Networks)**

During the month of April 2005 National Grid did not procure gas for its distribution networks from external storage providers and utilised internal diurnal storage services only.

##### **1<sup>st</sup> May 2005 to 31<sup>st</sup> March 2006 Procured Storage Services – UKD (Retained Networks)**

During the period 1<sup>st</sup> May 2005 to 31<sup>st</sup> March 2006 UKD did not procure gas for its distribution network from external storage providers and utilised internal diurnal storage services only.

**Table 4. Interruption**

**Service Component Description**

In the event of desired exit flows exceeding transportation capability National Grid may procure interruption services in order to achieve the desired changes in gas flows. The interruption services may be procured to manage NTS constraints, LDZ constraints and/or supply demand imbalance.

**Component Details**

On 1 April 2005, National Grid had interruption access to 1,476 LDZ sites with an aggregate SOQ of 637,821,748 kWh.

**During April 2005, National Grid did not utilise this service.**

<b>LDZ Interruptions</b>				
<b>Month</b>	<b>LDZ</b>	<b>No. of Supply Points Interrupted</b>	<b>No. of Supply Point Days*</b>	<b>Quantity Interrupted (MCM)</b>
April-05	0	0	0	0

On the 1<sup>st</sup> May 2005 UKD had interruption access to 649 LDZ sites with an aggregate SOQ of 292,519,577 kWh (on 1 October 2004, the respective figure was 638 LDZs sites with an aggregate SOQ of 289,528,706 kWh).

**During the period 1<sup>st</sup> May 2005 to 31 March 2006, UKD utilised this service as follows:**

<b>LDZ Interruptions</b>				
<b>Month</b>	<b>LDZ</b>	<b>No. of Supply Points Interrupted</b>	<b>No. of Supply Point Days*</b>	<b>Quantity Interrupted (MCM)</b>
December 05	North West	7	7	0.05481
February 06	North West	6	12	0.14464
March 06	North West	6	12	0.11828

**Notes**

No. of Supply Point Days = No. of Supply Points interrupted \* duration of interruption for each Supply Point in days