

To all UNC Parties

Steve Pownall  
Gas Codes Development  
Commercial (Transmission)

Steve.pownall@uk.ngrid.com  
Direct tel +44 (0) 1926 656362

[www.nationalgrid.com](http://www.nationalgrid.com)

31<sup>st</sup> October 2007

Dear Industry Colleagues,

**Collateralisation of the OCM**

**UNC 0125 Introduction of new balancing neutrality charge for cost of residual balancer collateral on the OCM**

In order to recover the Residual Balancer OCM collateralisation costs, National Grid Gas raised UNC Modification Proposal 125 *"Introduction of new balancing neutrality charge for cost of residual balancer collateral on the OCM"* on 1<sup>st</sup> December 2006. Ofgem directed the implementation of UNC0125 with effect from 1<sup>st</sup> February 2007.

During the development and consultation of UNC0125, National Grid Gas recognised those concerns raised by some respondents regarding the transparency of National Grid's proposed arrangements. National Grid Gas gave an undertaking that it would publish the costs of collateralisation as part of its obligations under Licence Special Condition C5; Licensee's procurement and use of system management services.

**Publication of OCM Collateralisation Information**

**Formula Year 2006-2007**

National Grid Gas, its role as the residual system balancer, incurred OCM collateralisation costs between the UNC0125 implementation date of 1<sup>st</sup> February 2007 through to 31<sup>st</sup> March 2007 of £6466.

**Formula Year 2007-2008**

National Grid Gas intends to publish the costs associated to its collateralisation of the OCM for 2007-2008 within the annual Procurement Guidelines (Transmission) report in April 2008. For future years, the Procurement Guidelines will be amended to reflect this requirement to report OCM collateralisation.

Please contact me if you require further clarification or have any questions relating to this subject.

Yours sincerely,

Steve Pownall