

Procurement Guidelines Report

UK Transmission

For the Period

01 April 2009 – 31 March 2010

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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) Licence 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 GT 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 C5 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 National Grid’s Network Code, as the case may be.

Further copies of this Report may be obtained from
<http://www.nationalgrid.com/uk/Gas/OperationalInfo/>

Or from:

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1.2 Reporting Period

This Report has been prepared in accordance with paragraph 4 of Special Condition C5. 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 2009 to 31 March 2010 inclusive.

This reporting period covers the last month of Storage Year 2008/2009 (April 2009) and the majority of Storage Year 2009/2010 (May 2009 to March 2010).

2. Procurement of System Management Services

2.1 Definition of System Management Services

Special Condition C5 (paragraph 15) 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, balancing trade derivatives and constraint management services."

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

- Energy Balancing
- Entry Capacity Management
- Exit Capacity Management
- Operating Margins gas
- Shrinkage

2.2 System Management Services Procured

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

Table 1 - Services Procured

1a. 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 from the providers:

- ◆ NG LNG storage facilities
- ◆ Rough storage facility
- ◆ Hornsea storage facility
- ◆ Hole House Farm storage facility
- ◆ Grain LNG Importation Terminal

At National Grid LNG storage facilities, National Grid (OM) has priority over all other Users in procuring Storage Capacity for OM purposes. However, at Rough, Hornsea and Hole House Farm, National Grid (OM) has the same rights as any other User. Post conversion of the Isle of Grain LNG facility from a storage facility to an LNG importation facility (15th July 2005), capacity holders at Grain provide an OM service to National Grid.

For the period 1 April 2009 – 31 March 2010, National Grid Gas (OM) procured Operating Margins services as follows:

Month	Facility	Space (kWh)	Unit Cost (p/kWh/annum)	Deliverability (kWh/d)	Unit Cost (p/kWh)
April-09	Rough	455,000,125	0.3923	0	0
	Hornsea	80,000,000	1.5389	0	0
	Avonmouth	177,000,000	1.5230	0	0
	Dynevor Arms	37,000,000	2.9560	0	0
	Glenmavis	131,000,000	1.7750	0	0
	Partington	262,000,000	1.1300	0	0
	Hole House Farm	25,000,000	1.3200	0	0
May-09 to Mar-10	Rough	562,499,992	0.3462	0	0
	Hornsea	80,000,000	1.7578	0	0
	Avonmouth	194,500,000	1.5810	0	0
	Glenmavis	128,500,000	1.8430	0	0
	Partington	219,500,000	1.1730	0	0
	Hole House Farm	25,000,000	1.4500	0	0
Apr-09 to Dec-09	Isle of Grain LNG Importation Terminal	93,000,000	8.5436	0	0
Oct-09 to Dec-09	Isle of Grain LNG Importation Terminal	27,000,000	8.8164	0	0
Jan-10 to Mar-10	Isle of Grain LNG Importation Terminal	120,000,000	7.7537	0	0

<p>Gas-in-storage 'Swap' tender</p>	<p>National Grid Gas (OM) utilises this service to address OM gas-in-store 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.</p> <p><i>No Gas-in-storage SWAP tenders have been made between 1 April 2009 and 31 March 2010.</i></p>																			
<p>Gas Procurement</p>	<p>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).</p> <p><i>For the period 1 April 2009 – 31 March 2010, National Grid Gas (OM) procured this service as follows:</i></p> <table border="1" data-bbox="477 751 1962 943"> <thead> <tr> <th>Month</th> <th>Facility</th> <th>In-Store quantity (kWh)</th> <th>NBP quantity (kWh)</th> <th>In-Store weighted average price (p/kWh)</th> </tr> </thead> <tbody> <tr> <td>May-09</td> <td>Rough</td> <td>77,000,000</td> <td>-</td> <td>1.1567</td> </tr> <tr> <td rowspan="2">July-09</td> <td>Rough</td> <td>14,653,550</td> <td>-</td> <td>0.8019</td> </tr> <tr> <td>Rough</td> <td>15,386,228</td> <td>-</td> <td>0.8104</td> </tr> </tbody> </table>	Month	Facility	In-Store quantity (kWh)	NBP quantity (kWh)	In-Store weighted average price (p/kWh)	May-09	Rough	77,000,000	-	1.1567	July-09	Rough	14,653,550	-	0.8019	Rough	15,386,228	-	0.8104
Month	Facility	In-Store quantity (kWh)	NBP quantity (kWh)	In-Store weighted average price (p/kWh)																
May-09	Rough	77,000,000	-	1.1567																
July-09	Rough	14,653,550	-	0.8019																
	Rough	15,386,228	-	0.8104																

<p>Gas Disposal</p>	<p>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.</p> <p><i>For the period 1 April 2009 – 31 March 2010, National Grid Gas (OM) procured this service as follows:</i></p> <table border="1"> <thead> <tr> <th>Month</th> <th>Facility</th> <th>In-Store quantity (kWh)</th> <th>NBP quantity (kWh)</th> <th>In-store weighted average price (p/kWh)</th> <th>NBP weighted average price (p/kWh)</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Apr-09</td> <td>Dynevor Arms</td> <td>-</td> <td>6,000,000</td> <td>-</td> <td>0.9554</td> </tr> <tr> <td>Dynevor Arms</td> <td>-</td> <td>31,000,000</td> <td>-</td> <td>0.9394</td> </tr> <tr> <td rowspan="2">May-09</td> <td>Glenmavis</td> <td>2,500,000</td> <td>-</td> <td>1.2642</td> <td>-</td> </tr> <tr> <td>Partington</td> <td>25,000,000</td> <td>-</td> <td>1.1151</td> <td>-</td> </tr> </tbody> </table>	Month	Facility	In-Store quantity (kWh)	NBP quantity (kWh)	In-store weighted average price (p/kWh)	NBP weighted average price (p/kWh)	Apr-09	Dynevor Arms	-	6,000,000	-	0.9554	Dynevor Arms	-	31,000,000	-	0.9394	May-09	Glenmavis	2,500,000	-	1.2642	-	Partington	25,000,000	-	1.1151	-
Month	Facility	In-Store quantity (kWh)	NBP quantity (kWh)	In-store weighted average price (p/kWh)	NBP weighted average price (p/kWh)																								
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May-09	Glenmavis	2,500,000	-	1.2642	-																								
	Partington	25,000,000	-	1.1151	-																								
<p>OM Transfer between Storage Facilities</p>	<p>National Grid Gas (OM) utilises this service to address a gas-in-store surplus or deficit by transferring OM gas between Storage Facilities.</p> <p><i>For the period 1 April 2009 – 31 March 2010, National Grid Gas (OM) procured this service as follows:</i></p> <table border="1"> <thead> <tr> <th>Month</th> <th>Facility gas transferred from</th> <th>Facility gas transferred to</th> <th>Quantity (kWh)</th> <th>Transfer Fee Paid (p/kWh)</th> </tr> </thead> <tbody> <tr> <td>May-09</td> <td>Partington</td> <td>Avonmouth</td> <td>17,500,000</td> <td>0.1400</td> </tr> </tbody> </table>	Month	Facility gas transferred from	Facility gas transferred to	Quantity (kWh)	Transfer Fee Paid (p/kWh)	May-09	Partington	Avonmouth	17,500,000	0.1400																		
Month	Facility gas transferred from	Facility gas transferred to	Quantity (kWh)	Transfer Fee Paid (p/kWh)																									
May-09	Partington	Avonmouth	17,500,000	0.1400																									
<p>OM Utilisation</p>	<p>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.</p> <p><i>For the period 1 April 2009 – 31 March 2010, National Grid Gas (OM) utilised Operating Margins as follows:</i></p> <table border="1"> <thead> <tr> <th>Month</th> <th>Facility</th> <th>Number of Days on which OM utilised</th> <th>Utilisation Quantity (kWh)</th> <th>Net WACOG (p/kWh)</th> </tr> </thead> <tbody> <tr> <td>Jan-10</td> <td>Avonmouth</td> <td>1</td> <td>6,350,000</td> <td>0.9938</td> </tr> </tbody> </table> <p><i>Net WACOG is the Weighted Average Cost of Gas in that facility as defined in UNC section K</i></p>	Month	Facility	Number of Days on which OM utilised	Utilisation Quantity (kWh)	Net WACOG (p/kWh)	Jan-10	Avonmouth	1	6,350,000	0.9938																		
Month	Facility	Number of Days on which OM utilised	Utilisation Quantity (kWh)	Net WACOG (p/kWh)																									
Jan-10	Avonmouth	1	6,350,000	0.9938																									

1b. Operating Margins Development

For 2009/10, National Grid Gas (OM) procures potential Operating Margins services as part of the Operating Margins Contestability Project. This service is used to physically test potential Operating Margins provision by demand reduction and supply increase. For further information, please see our website at: www.nationalgrid.com/uk/gas/operationalinfo/gasoperatingmargins

Between 1 April 2009 and 31 March 2010, this service was procured as follows:

Delivery Arrangements

National Grid Gas (OM) procures services to test potential Operating Margins provision by demand reduction and supply increase.

For the period 1 April 2009 – 31 March 2010, national Grid Gas (OM) procured Operating Margins Gas Delivery Arrangements as follows:

Month	Contract	OM Deliverability (kWh/d)	Price (p/kWh/d/annum)
May-09 to Mar-10	Portfolio of Offtake Reduction and Supply Increase	24,000,000	0.6620
	Single Offtake Reduction	12,000,000	2.0000

OM Testing

National Grid (OM) utilises its development contracts to test the service call-off process and procedures as well as the physical effectiveness of the potential Operating Margins services. The utilisation price includes the gas trade fee.

For the period 1 April 2009 – 31 March 2010, National Grid Gas (OM) utilised Operating Margins Development Contracts as follows:

Month	Contract	Utilisation Quantity (kWh)	Utilisation Price (p/kWh)
Jun-09	Portfolio of Offtake Reduction and Supply Increase	2,391,278	4.6822
Jul-09	Portfolio of Offtake Reduction and Supply Increase	5,998,956	2.1222
Aug-09	Single Offtake Reduction	3,000,000	4.6676
	Single Offtake Reduction	2,000,000	4.6450

<p>Gas Disposal following Testing</p>	<p>Following an OM potential provider test utilisation, National Grid Gas (OM) may utilise this service to address a gas surplus on the Operating Margins Manager account.</p> <p><i>For the period 1 April 2009 and 31 March 2010, National Grid Gas (OM) procured this service as follows:</i></p> <table border="1" data-bbox="477 355 1962 547"> <thead> <tr> <th>Month</th> <th>NBP Quantity (kWh)</th> <th>NBP Price (p/kWh)</th> </tr> </thead> <tbody> <tr> <td>Jul-09</td> <td>5,861,420</td> <td>0.7507</td> </tr> <tr> <td rowspan="3">Aug-09</td> <td>2,930,710</td> <td>0.8019</td> </tr> <tr> <td>2,930,710</td> <td>0.8104</td> </tr> <tr> <td>1,992,833</td> <td>0.7763</td> </tr> </tbody> </table>	Month	NBP Quantity (kWh)	NBP Price (p/kWh)	Jul-09	5,861,420	0.7507	Aug-09	2,930,710	0.8019	2,930,710	0.8104	1,992,833	0.7763
Month	NBP Quantity (kWh)	NBP Price (p/kWh)												
Jul-09	5,861,420	0.7507												
Aug-09	2,930,710	0.8019												
	2,930,710	0.8104												
	1,992,833	0.7763												
<p>Gas Procurement</p>	<p>National Grid Gas (OM) may utilise this service to address a gas deficit following a cancellation of a potential Operating Margins provider test.</p> <table border="1" data-bbox="477 740 1962 836"> <thead> <tr> <th>Month</th> <th>NBP Quantity (kWh)</th> <th>NBP Price (p/kWh)</th> </tr> </thead> <tbody> <tr> <td>Aug-09</td> <td>2,930,710</td> <td>0.8019</td> </tr> </tbody> </table>	Month	NBP Quantity (kWh)	NBP Price (p/kWh)	Aug-09	2,930,710	0.8019							
Month	NBP Quantity (kWh)	NBP Price (p/kWh)												
Aug-09	2,930,710	0.8019												

2. Constrained Storage

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

Between 1 April 2009 and 31 March 2010, this service was procured as follows:

Between 1 April 2009 and 31 March 2010, this service was procured as follows:

Month	Facility	Shipper Booked deliverability (kWh)	Transportation Credit (p/kWh/day)
Apr-09	Avonmouth	156,200,000	0.0032
May-09 to Mar-10	Avonmouth	143,000,000	0.0041

3. Shrinkage

The NTS Shrinkage Provider manages the risk exposure associated with the shrinkage account. Shrinkage includes 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 NBP, following the approval of Network Code Modification Proposals 0579 (Feb 2003) and 0599 (April 2004).

Service Component	Component Description and Details						
NBP Trades	<i>For 1 April 2009 to 31 March 2010, National Grid procured NTS shrinkage via NBP trades as follows:</i>						
		Total Quantity Purchased (kWh)	Purchase Cost (£)	Weighted Avg Purchase Price (p/kWh)	Total Quantity Sold (kWh)	Sell Revenue (£)	Weighted Avg Sell Price (p/kWh)
	Apr-09	599,359,502	£8,305,820	1.3858	31,058,346	£319,684	1.0293
	May-09	659,820,049	£8,539,313	1.2942	5,062,919	£44,683	0.8826
	Jun-09	447,665,953	£6,432,310	1.4369	32,691,894	£303,385	0.9280
	Jul-09	371,174,422	£4,933,943	1.3293	30,359,166	£267,605	0.8815
	Aug-09	383,043,797	£4,908,418	1.2814	618,380	£5,001	0.8088
	Sep-09	394,766,637	£5,023,643	1.2726	133,050,922	£1,054,497	0.7926
	Oct-09	823,324,360	£12,301,530	1.4941	54,949,347	£867,047	1.5779
	Nov-09	1,054,410,844	£15,206,918	1.4422	104,186,272	£1,414,400	1.3576
	Dec-09	1,067,159,432	£15,906,573	1.4906	54,951,047	£871,721	1.5864
	Jan-10	1,160,004,325	£18,835,535	1.6237	99,882,700	£1,406,238	1.4079
	Feb-10	1,550,667,968	£22,504,126	1.4513	88,187,438	£1,171,616	1.3286
Mar-10	1,749,868,327	£23,836,364	1.3622	106,071,685	£1,390,447	1.3109	

From 1 April 2009 to 31 March 2010, 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-09	4,295,908	£44,769	1.0421	8,000,053	£74,047	0.9256
May-09	5,307,191	£47,788	0.9004	3,418,392	£29,203	0.8543
Jun-09	5,265,347	£49,715	0.9442	3,889,333	£32,988	0.8482
Jul-09	13,117,464	£108,936	0.8305	278,947	£2,207	0.7912
Aug-09	15,535,465	£115,346	0.7425	516,042	£3,955	0.7664
Sep-09	3,698,986	£25,873	0.6995	1,982,217	£11,367	0.5735
Oct-09	12,857,401	£105,813	0.8230	5,697,062	£51,031	0.8957
Nov-09	10,195,155	£94,766	0.9295	4,328,897	£37,616	0.8690
Dec-09	10,754,866	£112,082	1.0422	4,648,610	£44,358	0.9542
Jan-10	13,480,311	£190,579	1.4138	3,218,468	£39,393	1.2240
Feb-10	11,325,331	£139,539	1.2321	4,831,001	£56,390	1.1673
Mar-10	14,349,969	£157,714	1.0991	9,882,407	£102,106	1.0332

Imbalance Cash-out

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).

For the period 1 April 2009 – 31 March 2010, National Grid Gas procured these services as follows:

Service Component	Component Description and Details																																																																																			
Buybacks on Gemini	<table border="1"> <thead> <tr> <th>Month</th> <th>ASEP</th> <th>No. of days on which offers accepted</th> <th>No. of offers accepted</th> <th>Quantity accepted (kWh)</th> <th>Weighted average price (p/kWh)</th> </tr> </thead> <tbody> <tr><td>Apr-09</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>May-09</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Jun-09</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Jul-09</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Aug-09</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Sep-09</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Oct-09</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Nov-09</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Dec-09</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Jan-10</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Feb-10</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> <tr><td>Mar-10</td><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> </tbody> </table>	Month	ASEP	No. of days on which offers accepted	No. of offers accepted	Quantity accepted (kWh)	Weighted average price (p/kWh)	Apr-09	None	0	0	0	0	May-09	None	0	0	0	0	Jun-09	None	0	0	0	0	Jul-09	None	0	0	0	0	Aug-09	None	0	0	0	0	Sep-09	None	0	0	0	0	Oct-09	None	0	0	0	0	Nov-09	None	0	0	0	0	Dec-09	None	0	0	0	0	Jan-10	None	0	0	0	0	Feb-10	None	0	0	0	0	Mar-10	None	0	0	0	0					
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	Feb-10	None	0	0	0	0																																																																														
Mar-10	None	0	0	0	0																																																																															

CMA – Options Agreements	Period	ASEP	Total Quantity Accepted (kWh)	Cost of Option (£)
	Apr-09	None	0	0
	May-09	None	0	0
	1 st to 12 th June-09	None	0	0
	13 th to 30 th Jun-09	Isle Of Grain	45,000,000	13,950
	Jul-09	None	0	0
	Aug-09	None	0	0
	Sep-09	None	0	0
	Oct-09	None	0	0
	Nov-09	None	0	0
	Dec-09	None	0	0
	Jan-10	None	0	0
	Feb-10	None	0	0
	Mar-10	None	0	0

CMA – Forwards Agreements	<table border="1"> <thead> <tr> <th>Period</th> <th>ASEP</th> <th>Quantity Utilised (kWh)</th> <th>Total Cost of Forward Buybacks (£)</th> </tr> </thead> <tbody> <tr><td>Apr-09</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>May-09</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>Jun-09</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>Jul-09</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>Aug-09</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>Sep-09</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>Oct-09</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>Nov-09</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>Dec-09</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>Jan-10</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>Feb-10</td><td>None</td><td>0</td><td>0</td></tr> <tr><td>Mar-10</td><td>None</td><td>0</td><td>0</td></tr> </tbody> </table>	Period	ASEP	Quantity Utilised (kWh)	Total Cost of Forward Buybacks (£)	Apr-09	None	0	0	May-09	None	0	0	Jun-09	None	0	0	Jul-09	None	0	0	Aug-09	None	0	0	Sep-09	None	0	0	Oct-09	None	0	0	Nov-09	None	0	0	Dec-09	None	0	0	Jan-10	None	0	0	Feb-10	None	0	0	Mar-10	None	0	0												
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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 transportation 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
<p>Interruption to manage NTS constraints</p>	<p>On 1 April 2009, National Grid had interruption access to 32 sites (NTS Power Stations, Industrial Sites and the Moffat Interconnector) with an aggregate potential available interruption of 1092.2 GWh (excluding Bacton)</p> <p>In addition, the NTS also had access to a potential 628.4 GWh of Interruption at the Bacton Interconnector along with 9 Storage Sites (excluding Dynevor Arms) that have exit capacity on an interruptible basis available during the summer months.</p> <p><i>During the period 1 April 2009 to 31 March 2010, National Grid had a requirement to Interrupt to manage an NTS constraint on 06 and 07 January 2010. There was no requirement for a National Gas Supply Emergency.</i></p>

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	<p>National Grid trades on 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.</p> <p><i>During the period 1 April 2009 to 31 March 2010, National Grid carried out the following OCM trades:</i></p>

OCM 'NBP 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-09	17	32	191	91,174,389	540,481,548	979,879	5,162,620	1.0747	0.9552
	May-09	11	16	70	43,403,816	181,850,562	425,669	1,407,475	0.9807	0.7740
	Jun-09	13	88	89	243,131,705	210,835,282	2,179,192	1,892,978	0.8963	0.8978
	Jul-09	16	176	36	516,889,328	91,613,996	4,455,515	656,266	0.8620	0.7163
	Aug-09	19	89	71	265,961,936	194,774,987	2,036,832	1,191,144	0.7658	0.6115
	Sep-09	18	175	43	464,664,083	88,272,989	3,874,962	367,372	0.8339	0.4162
	Oct-09	20	129	133	323,960,691	336,885,124	3,024,380	2,423,520	0.9336	0.7194
	Nov-09	10	28	115	70,366,348	292,396,943	678,707	2,589,711	0.9645	0.8857
	Dec-09	23	177	188	398,723,103	520,347,574	4,435,841	5,347,384	1.1125	1.0277
	Jan-10	21	108	236	302,976,806	654,105,179	5,972,780	8,337,573	1.9714	1.2747
	Feb-10	15	74	192	166,083,338	437,613,627	2,068,143	5,013,338	1.2452	1.1456
Mar-10	20	46	351	92,844,900	792,141,627	1,089,773	8,173,612	1.1738	1.0318	

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 Purchase d (kWh)	Quantity Sold (kWh)	Purchase cost (£)	Sell revenue (£)	Weighted Average Purchase Price (p/kWh)	Weighted Average Sell Price (p/kWh)
<i>No OCM Physical trades were conducted in this period to address a National Requirement.</i>										

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)
	<i>No locational trades were conducted in this period to address a National Requirement.</i>									
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)
	Jan-10	2	7	0	41,762,618	0	969,604	0	2.3217	0

7. OCM Collateralisation Costs

National Grid Gas, in its role as the residual system balancer, is required to provide collateralisation to APX Gas 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 2009 to 31 March 2010, National Grid Gas incurred OCM collateralisation costs of £89,205.