

## OPERATING MARGINS DESCRIPTION

### Overview

National Grid Gas purchases Operating Margins (“OM”) on an annual basis in line with both the requirements of section K of the UNC and obligations described in the National Grid Gas Safety Case (“the Safety Case”). The Safety Case places an obligation on National Grid Gas to maintain OM at levels and locations determined throughout the year.

Typically, OM will be used to maintain NTS system pressures in the period before other balancing measures become effective. Primarily, Operating Margins will be used in the immediate period following operational stresses such as a supplier alert as a result of a failure offshore, unanticipated demand changes or unexpected pipeline and/or plant unavailability. A quantity of OM is also kept in reserve to manage the orderly rundown of the system following the declaration of a Gas Supply Emergency.

By way of example, it may take 4 to 5 hours to restore gas supplies following a supply loss in the South East of the system or for actions by shippers to source additional gas to take effect. During this period, without the use of OM, pressures could drop below the minimum level permitted in parts of the network to maintain normal network operation resulting in a gas supply emergency and curtailment of gas supplies to consumers. In addition, a lack of OM would also compromise the management of an orderly rundown once in a gas supply emergency.

Use of an OM service will result in additional gas being available to the system (i.e. gas that would not ordinarily be available had an OM service not been used). The features of an OM service are:

- guaranteed availability at short notice;
- high levels of availability, reliability and deliverability; and
- suitable physical location on the network.

### Operating Margins Requirements

Our forecast OM requirements are determined from assessing allowances for each of the following requirements: Major Events, Minor Events and Orderly Rundown. These are defined as follows:

**GROUP 1** formerly Major Events, includes those events that, although unlikely to occur co-incident with a 1 in 50 winter, would have a major impact on the safe operation of the NTS. This group includes a loss of supply or loss of infrastructure.

**GROUP 2** formerly Minor Events, though better described as multiple events, includes those events that could reasonably be expected to happen during any winter, but potentially more so in a severe winter as alternative supplies are expected to be less available and occurrences of such events could escalate due to higher demands. Inclusion of this OM is required in order that OM is kept available for a series of such events. This events group includes analysis for compressor failure, routine forecast errors and significant supply losses.

**GROUP 3** Orderly Rundown is OM stock to ensure safe rundown of the system in the event of a Network Gas Supply Emergency while firm load shedding takes place.