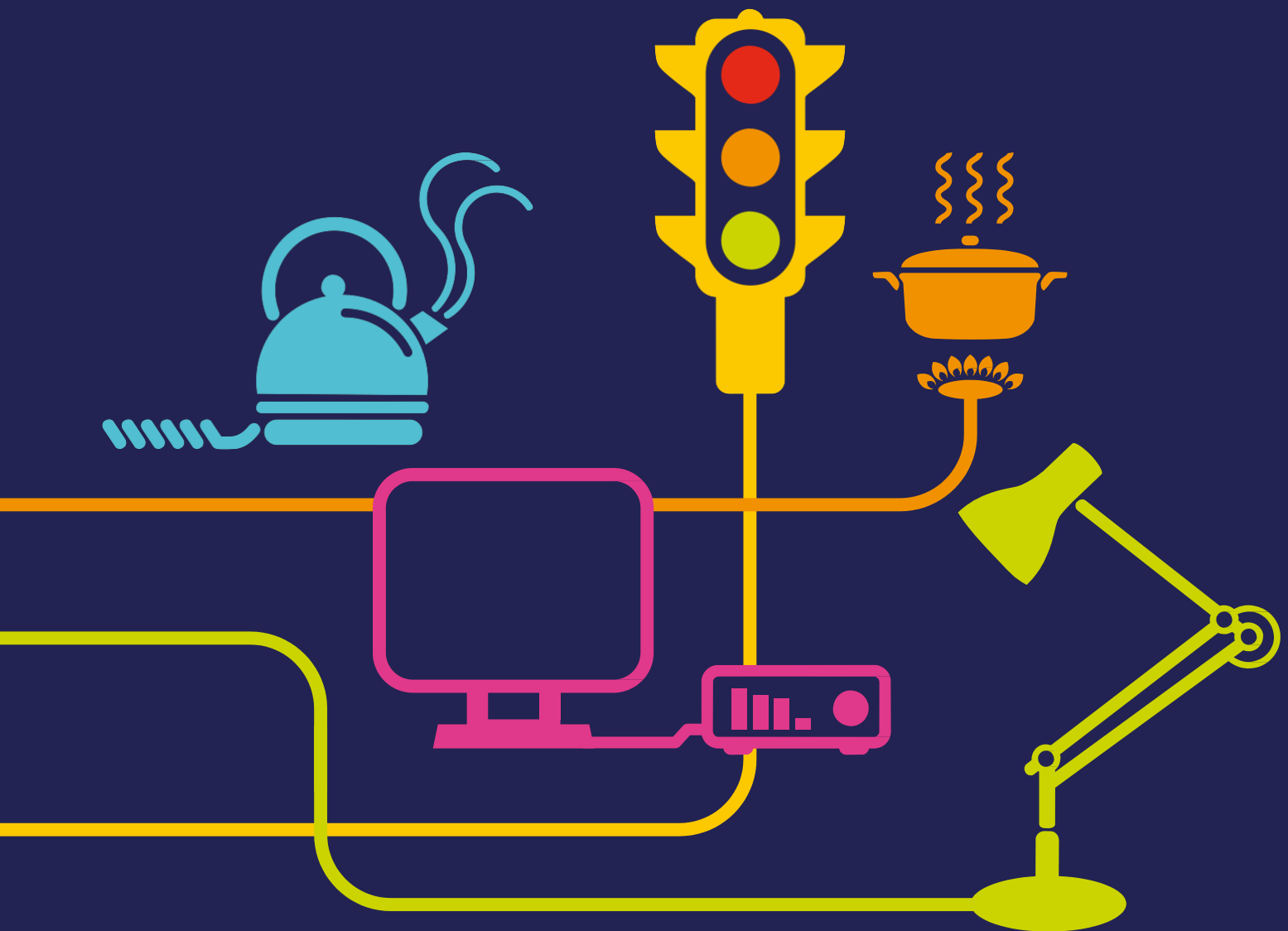


Gas Operating Margins



A guide to the services procured by National Grid to maintain gas pressure in exceptional circumstances

“National Grid is an international electricity and gas company responsible for operating the electricity and gas transmission systems across Great Britain”

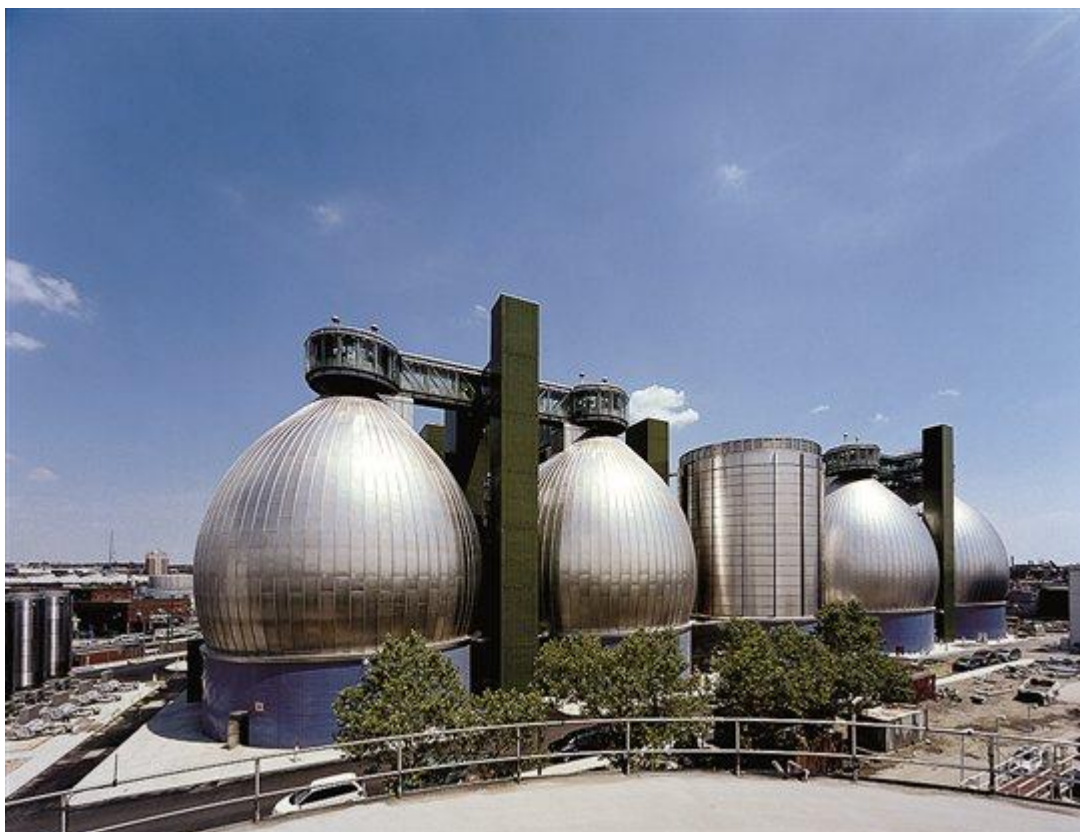
What is Gas OM?

Operating Margins (OM) is used to maintain the gas pressure in the National Transmission System (NTS) in exceptional circumstances, such as system stress, to protect against declaring emergency conditions. This service ensures that normal market operation can be maintained by allowing time for the market to deliver additional supply where possible.

Common reasons for Gas OM being used include:

- Supply loss
- Pipeline failure
- Demand forecast error

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



What is the service?

The Gas Operating Margins Service is the delivery of a rate of change of gas flow onto or offtake from the National Transmission System (NTS) to manage, in operational timescales, sudden changes in supply or demand that cannot be met by normal trading/balancing arrangements.

There are broadly three categories of OM requirement:

Group 1: Managing pressures and the safety of the system following a beach supply failure or forecast demand change;

Group 2: Support network pressures in the 24 hours following compressor and/or pipeline failures (may be tied to a Locational zone);

Group 3: 'Orderly Rundown': To isolate large demand customers and local distribution zone loads to ensure domestic demand can be met with supply.

How is the service procured?

Gas OM is procured primarily through an annual tendered process, where the contract starts on 1 May each year. The main requirements are as follows:

- Ability to deliver a volume of gas within 2 hours
- Available to be utilised 320 day a year (taking into account 45 days outage)

There are three types of tenders that may be requested:

OM Capacity Arrangements – NGG will hold or withdraw gas from a holding facility.

OM from LNG Terminals with storage – the user will hold or withdraw gas from such facilities for delivery to the NTS.

OM Gas Delivery Arrangements – the user will increase the delivery of gas or reduce their offtake from the NTS.

Currently OM services are provided by storage, LNG importation facilities and directly connected customers who can provide Offtake reduction.

Following the results of the Gas OM tender, National Grid will run a within day gas Procurement and Gas Disposal tender in April to satisfy the requirement at various storage locations.

Payments

There are different payments in relation to each tender which will broadly consist of:

Capacity tenders:

Utilisation (Injection, withdrawal, overrun charges)

Delivery Tenders:

Availability - annual service fee

Utilisation - delivery charge



Contact:

Commercial.operation@nationalgrid.com

Information:

For more information on Balancing Services please visit

<http://www2.nationalgrid.com/uk/Industry-information/gas-transmission-system-operations/balancing/operating-margins/>