



NATIONAL GRID GAS

**OPERATING MARGINS REPORT (SUPPLEMENTARY
TENDER FOR WINTER 2022/23)**

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Produced by

**Gas Commercial & Incentives
National Grid Gas Transmission**

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1.0 EXECUTIVE SUMMARY

The 2022/23 Operating Margins (OM) Tender event was launched on the 30th November 2021 for a provisional volume requirement of 874GWh. Following conclusion of the tender event and subsequent summer review of the changing gas market landscape this resulted in an additional OM indicative minimum volume requirement of 75GWh.

The purpose of this document is to provide an overview of National Grid Gas (NGG) procurement activities used to secure the additional OM volume requirement, and covers the following areas:-

- Revised OM requirement for 2022/23
- Additional OM Services procured for Gas Storage Year 2022/23 through the Supplementary Tender
- Total 2022/23 OM Booking (including additional volumes)

2.0 BACKGROUND

NGG monitors the OM position throughout the gas storage year and may make further bookings within year should a further requirement be identified.

Following the conclusion of the OM 2022/23 tender event and due to the changing energy / gas market landscape, NGG acting as a prudent operator reviewed OM position to ensure it remained appropriate since the original tender concluded in March.

The outcome of the review was an additional volume of OM was required, indicatively in the region of 75GWh, therefore NGG launched a Supplementary Tender event during September 2022, which this report relates to.

Information relating to previous years tender events can be found at <https://www.nationalgrid.com/uk/gas-transmission/balancing/operating-margins-om> under 'Market Information'.

NGG procures capacity and access to a volume of gas for OM on an annual basis in line with both the requirements of Section K of the Uniform Network Code (UNC) and the obligations detailed in the NGG Safety Case.

3.0 OM REQUIREMENTS 2022/23

Historically NGG conducts an OM procurement event on an annual basis, with an aim to optimise the OM requirement (tender quantity and products) and maximise tender participation from a diverse range of market participants.

3.1 The OM Requirements Calculation Methodology

Analysis ahead of the Supplementary Tender assessed alternative supply patterns to meet the peak day demand assumption as used in the analysis for the original 2022/23 OM volume requirement. A revised OM Statement is available to support the new requirement¹

Whilst the initial additional requirement was for 75GWh, tender submissions received allowed for an alternative network compliant solution, when calculated led to a revised additional OM requirement of 120 GWh as published in the Revised Operating Margins Statement, making a total of 989GWh, applicable from 01/12/2022. This is ~14% higher than the original 2022/23 requirement of 869 GWh.

4.0 OM SERVICES FOR GAS STORAGE YEAR 2022/23 SUPPLEMENTARY TENDER

The level and geographical distribution of OM services determines the effectiveness of OM gas to balance the NTS during an OM event.

4.1 Original and Revised OM Requirements 2022/23

The initial OM requirements for 2022/23 storage year totalled 874 GWh ahead of the original tender in November 2021.

The profile of the tender submissions received in the initial 22/23 tender allowed an alternative compliant network solution to be calculated, leading to a revised OM requirement totalling 869 GWh as per Table 1a.

Table 1a : OM Requirement Categories Prior to the Supplementary Tender analysis (figures may not sum exactly due to rounding)

Operating Margins Requirement Category	2022/23 Initial OM Requirements (GWh)	2022/23 Revised OM Requirements (GWh)
Supply Loss	634	545
Locational – South West	67	101
Locational – South East	68	39
Locational – North	0	0
Locational – Scotland	0	0
Locational – Wales	0	0
Non-Locational	67	145
Orderly Rundown	38	38
Total	874	869

¹ <https://www.nationalgrid.com/gas-transmission/balancing/operating-margins-om>

The profile of the tender submissions received in the supplementary tender provided an alternative compliant network solution to be calculated, leading to an additional 120 GWh being purchased and an overall revised OM requirement total of 989 GWh as per Table 1b.

Table 1b : OM Requirement Categories Following Supplementary Tender analysis (figures may not sum exactly due to rounding)

Operating Margins Requirement Category	2022/23 Initial (Updated) OM Requirements (GWh)	2022/23 Finalised (Updated) OM Requirements (GWh)
Supply Loss	605	569
Locational – South West	101	101
Locational – South East	39	39
Locational – North	0	0
Locational – Scotland	0	0
Locational – Wales	0	0
Non-Locational	160	241
Orderly Rundown	38	38
Total	944	989

4.2 Tendered Volumes (Supplemental tender)

350 GWh of volume was tendered, with no duplicated volume. This compares to between 1000 and 2500 GWh tendered in a typical annual OM tender.

4.3 Prices and Acceptances

Table 2 summarises key price metrics from tenders submissions received and accepted for the 2022/23 gas storage year through the supplementary tender process.

Table 2 : Weighted Average Pricing Metrics for the Winter 2022/23 Supplementary Tender²

OM Type	Offered	Accepted
	Service Fee for 01/12/2022 - 30/04/2023 (p/kWh)	Service Fee for 01/12/2022 - 30/04/2023 (p/kWh)
Capacity - Storage	18.1	----
Delivery - Power Station	0.8	----
Delivery - LNG	14.9	----
All	8.8	6.6

Accepted data for OM types has been redacted for tenderer confidentiality.

² These prices are for the period 01/12/2022 – 30/04/2023 and not on an p/kWh/annum basis.

4.4 Tender Participation

For the Supplementary Tender 2022/23, 11 individual tender submissions were received from 9 unique participants.

Table 3: Tender Submissions by Service Provider Categories

Service Provider Category	Number of Participants	Number of Tender Submissions
Storage	3	4
LNG	3	3
Demand Reduction	3	4
All Tender Total	9	11

5.0 CONCLUSION

The OM Supplementary tender event for 2022/23 procured an additional OM Volume of 120 GWh at a total cost £8m.