

System Management Principles Report

For the Period
1st April 2019 to 31st March 2020

National Grid Gas Transmission

Contents

Executive Summary.....	2
1. SMPS Part A: Introduction.....	3
2. SMPS Part B: General Principles and Criteria for System Management Actions.....	3
3. SMPS Part C: Statement Underlying System Management Actions	4
4. SMPS Part D: System Management (actions taken in exceptional circumstances or not involving system management services).....	4
5. SMPS Part E: System Management Tool Deployment Ahead of the Day	4
6. SMPS Part F: Daily System Management Considerations (aims of system management processes close to the time of gas flow).....	5
7. Modifications carried out to the SMPS.....	5
Appendix 1: Review Opinion by Independent Examiner	5

Executive Summary

The System Management Principles Statement (SMPS) sets out the principles and criteria for using system management services.

This report describes how National Grid Gas Transmission has complied with the SMPS over the period 1st April 2019 to 31st March 2020. National Grid Gas Transmission's compliance with the SMPS is subject to an independent examiner review, which accompanies this report as Appendix 1.

National Grid Gas Transmission confirms that, during the period covered by this report, it has operated the NTS in accordance with the principles set out in the SMPS.

1. SMPS Part A: Introduction

This document is the System Management Principles Report that we are required to deliver in line with our licence obligation set out in 8A.11 in Special Condition 8A of our Gas Transporter (GT) licence. This report describes the extent to which National Grid Gas Transmission has complied with the SMPS which sets out the principles of how we use system management services.

This report covers gas day 1st April 2019 to gas day 31st March 2020 (2019/20).

Further copies of this report and the System Management Principles Statement are available at:

<https://www.nationalgrid.com/uk/gas-transmission/about-us/how-were-regulated/gas-industry-compliance>

2. SMPS Part B: General Principles and Criteria for System Management Actions

Our use of system management services takes account of a range of factors; these are described in the SMPS, and include the obligation to operate the gas National Transmission System (NTS) in an efficient, economic and coordinated manner, the impact on System Operator incentives, risk management, national and localised requirements, forward, day ahead and 'close to gas flow' considerations.

The Special Condition recognises that, in certain circumstances, it may be necessary to manage the system outside the guidelines in the SMPS – reasons can include:

- where to not depart from the SMPS would prejudice the interests of safety;
- where operational information indicates that insufficient time is available to employ particular measures in accordance with the detailed processes defined herein if required effects are to be achieved;
- where the SMPS has been shown to be inappropriate; or
- where NGGT considers it to be more economic, efficient or co-ordinated to do so.

The SMPS also states that if emergency procedures are in use, they shall supersede all considerations arising from the SMPS.

In 2019/20, National Grid Gas Transmission has operated the NTS in accordance with the general principles set out in the SMPS.

3. SMPS Part C: Statement Underlying System Management

Actions

National Grid Gas Transmission's system management actions, as defined in the SMPS, are intended to ensure that the actual and projected gas flows remain within acceptable ranges. National Grid Gas Transmission may seek to achieve this by utilising operational flexibility or by deploying a range of system management services available to it. The choice of a particular system management service depends on the prevailing circumstances, but a key input in the decision-making process is the step by step determination of national and localised system requirements, as detailed in Part C of the SMPS. Although these requirements are identified close to the time of gas flows, the selection of the most appropriate service may also involve deployment of services well ahead of the day if it is considered efficient to do so. The aims of the system management processes well ahead of the day are addressed in section 5, whereas decisions made close to the time of gas flows are covered in section 6 of this Report.

In 2019/20, National Grid Gas Transmission has identified the requirement for the deployment of System Management Services in accordance with the processes outlined in Part C of the SMPS.

4. SMPS Part D: System Management (actions taken in exceptional circumstances or not involving system management services)

Exceptional circumstances include situations such as major supply failures where deployment of system management services, including the use of Operating Margins, may not adequately address the problem. In these circumstances, National Grid Gas Transmission may invoke emergency procedures. There may also be circumstances which do not require the use of any system management services. Small variations in gas flows onto and off the system (resulting in minor linepack variations) could be absorbed within the inherent system flexibility (linepack utilisation) and it may not be necessary or efficient to take any action immediately.

In 2019/20, National Grid Gas Transmission has not identified the requirement to take any actions to address exceptional circumstances as laid out in Part D of the SMPS.

5. SMPS Part E: System Management Tool Deployment Ahead of the Day

Rather than wait for imminent gas flows to imply either a National or Localised Requirement for system management actions, as detailed in section 3, it may be appropriate for National Grid Gas Transmission to take system management actions ahead of the day. Such a situation may occur where a requirement to take an action has been identified well in advance (e.g. a Supply Deficit) and where a pre-emptive action may prove to be more efficient than a 'close to gas flow' action.

The deployment of system management services well ahead of the day will be at the discretion of National Grid Gas Transmission, and will be guided by the wider licence obligations and SO incentive schemes.

In 2019/20, National Grid Gas Transmission In May 2019, we secured a turndown contract for June to September, to mitigate the heightened risk of constraints at Milford Haven, due to high LNG flows seen through the winter and beyond Q1 2019.

6. SMPS Part F: Daily System Management Considerations (aims of system management processes close to the time of gas flow)

The system management processes close to the time of gas flow are designed:

- To maintain national/local linepack levels and key operational parameters within predetermined operating ranges at all times within the Gas Day whilst ensuring safe operation.
- To address NTS entry and exit constraints where flows are forecast to exceed assessed system capability.
- To identify potential operational or commercial requirements to use storage services (including Operating Margins).
- To facilitate efficient operation of the trading arrangements (e.g. in respect of shipper to shipper trading of System Entry Capacity).

In 2019/20, National Grid Gas Transmission has operated the system to achieve the above aims.

7. Modifications carried out to the SMPS

National Grid Gas Transmission maintains the appropriateness of SMPS and considers that the prevailing document closely reflects its practice. National Grid Gas has undertaken a consultation process to make sure that the SMPS remains current and has made modifications to increase clarity and reflect updates in industry frameworks.

Appendix 1: Review Opinion by Independent Examiner

The independent examiner statement from PriceWaterhouseCoopers accompanies this report as a separate document.