

National Gas Transmission

Operating Margins Report

August 2025



Version control

Version/revision number	Date of issue	Notes
1.0	22 nd August 2025	This document has been produced in accordance with Special Licence Condition 5.6 Part H of National Gas Transmission plc, Gas Transporter Licence in respect of the National Transmission System (NTS).

Contents

Section	Description	Page
1.0	Executive Summary	4
2.0	Background	4
3.0	Operating Margins Requirements	5
3.1	The Operating Margins Requirements Calculation Methodology	5
3.2	Communications Strategy	5
4.0	Operating Margins Service and Procurement Process Developments	5
4.1	Process Learning and Feedback	5
4.2	Developing the Operating Margins Calculation Methodology	6
4.3	Service Providers Engagement	6
4.4	Reducing Barriers to Entry	6
4.5	Operating Margins Event Communications	7
5.0	Operating Margins Services for Gas Storage Year 2025/26	7
5.1	Operating Margins Requirements 2025/26	7
5.2	Tender Participation	8
5.3	Tendered Volumes	10
5.4	Prices and Acceptances	11
5.5	Purchasing Activities and Exchange Trades	11
6.0	Conclusion	11
7.0	Glossary of Terms	12
	Contacts	13

1.0 EXECUTIVE SUMMARY

This document has been produced in accordance with Special Licence Condition 5.6 Part H of National Gas Transmission plc, Gas Transporter Licence in respect of the National Transmission System (NTS).

The purpose of this document is to provide an overview of National Gas Transmission (NGT) procurement activities used to secure Gas Operating Margins (OM) requirements which covers the following areas:

- OM requirement 2025/26
- Developments of the OM Service and procurement process
- OM Services procured for Gas Storage Year 2025/26 through the annual tender process
- Total 2025/26 OM Booking

2.0 BACKGROUND

This report relates to the OM Procurement event for Gas Storage Year 2025/26, that was conducted during Gas Storage Year 2024/25. Information relating to previous Procurement events can be found at <https://www.nationalgas.com/our-businesses/operating-margins> under 'Market Information'.

NGT 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 NGT Safety Case.

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

The Gas OM Service enables the delivery of a change in the rate of gas flow to or off-taken from the NTS which manages sudden changes in supply or demand that cannot be met by normal trading/balancing arrangements. In addition, OM allows time for NGT to reconfigure the NTS or for the market to deliver additional supply and can protect against the need to declare emergency conditions to ensure normal commercial market operation can be maintained where possible. In the event of an emergency, OM can also be used to manage the safe and orderly rundown of the NTS.

Under the RIIO-T2 regime all costs incurred for the procurement and utilisation of OM are a cost pass through element within the Licence. NGT aims to reduce the costs for customers whilst meeting the OM requirements for each year. The Office of Gas and Electricity Markets (Ofgem) has placed a reputational incentive scheme upon NGT to promote competition in the procurement of OM services for our customers.

Gas OM is procured via a suite of contracts with several gas industry participants around the NTS including capacity holders at storage facilities: large scale demand side users and capacity holders at LNG importation facilities.

There was no OM utilisation during Storage Year 2024/25. Further information on Gas Operating Margins can be found on the Gas OM pages of the NGT website.¹

3.0 OM REQUIREMENT 2025/26

On an annual basis, NGT conducts an OM procurement event which aims to optimise the OM requirement and maximise tender participation from a diverse range of market participants. NGT are continually exploring sourcing solutions that reduce barriers to entry and furthermore generate market awareness of the OM opportunities to the industry.

3.1 The OM Requirements Calculation Methodology

The approach supporting this year's methodology is consistent with that used for previous years and is detailed in the published Operating Margins Statement 2025/26.²

The methodology identified an initial OM volume requirement of 919 GWh when the Invitation to Tender was launched on 21st November 2024. Tender submissions received allowed for an alternative network compliant solution, this led to a revised OM volume requirement of 893 GWh as published in the Operating Margins Statement on 28th February 2025. This is ~9% lower than the 2024/2025 requirement of 982 GWh.

3.2 Communications Strategy

To maximise market participation in the annual OM procurement event, multiple communication channels are utilised to engage and educate market participants about the potential opportunities to provide a commercial service to NGT as the System Operator. This continued engagement is vital to both maintain existing OM service providers and to work with new market participants.

Building on previous engagement strategies, a structured approach to highlight our procurement requirements was adopted which included ad-hoc discussions with potential service providers that provided clarity on the OM service requirements. These were tailored to meet the needs of the individual parties, their level of knowledge and understanding of the tender process.

4.0 OM SERVICE AND PROCUREMENT PROCESS DEVELOPMENTS

4.1 Process Learning and Feedback

As part of the continuing evolution of the OM procurement activities NGT routinely review any feedback received.

¹ <https://www.nationalgas.com/our-businesses/operating-margins>

² https://www.nationalgas.com/sites/default/files/documents/Gas%20OM%20Statement%20202526_%20v1.0..pdf

Below is a summary of the key learning points from the 2024/25 OM procurement event that we implemented for the 2025/26 OM procurement event, any learning obtained will enable future OM service development and process improvement.

In particular, NGT notes:

Ahead of the 2025/26 tender, improvements were made to the OM contract framework, following internal review and acting on feedback from service providers:

Where previously the Gas Capacity Storage agreements had been split into two versions:

- One contract for where the Service Provider is the Facility Operator known as Version A.
- One contract for where the Service Provider is a 3rd party User at a Storage site known as Version B.

We further enhanced Version B to account for the scenario whereby the Service Provider is an affiliate of the Facility Operator.

4.2 Developing the OM Requirements Calculation Methodology

Our OM requirements methodology remains under review as the environment in which NGT and our customers operate continues to evolve; this will ensure that NGT continue to further refine our definition of the requirements on the network going forwards.

NGT undertake a full annual review of the OM requirement based on the very latest supply and demand forecasts and operating experience. From a contestability perspective, this will allow NGT to identify geographical areas where the OM provision could be required / reinforced, and this will help to identify focus areas for potential service providers of OM services.

4.3 Service Providers' Engagement

To complement the broad communications strategy, NGT have targeted and will continue to target certain providers as being a priority to engage with. This will either be because they have commissioned a new site, expressed an interest in providing OM, participated in previous years' procurement events or have been identified as being strategically advantageous to fulfilling the OM requirement.

4.4 Reducing Barriers to Entry

NGT procure OM to adhere to its Safety Case and the associated requirements which are based upon minimum response times, volumes, and availability criteria. Whilst these requirements provide restrictions on the potential market size, NGT continue to look to simplify processes and reduce barriers to entry, where possible.

NGT continue to use the ARIBA Procurement platform to enhance and support an efficient and compliant tender process. Dedicated ARIBA support was made available to tenderers to provide ARIBA query resolution.

NGT continue to work on several areas of focus that are designed to identify where NGT can reduce the complexity of the contracting process.

4.5 OM Procurement Event Communications

Communications of forthcoming OM Procurement events to the market are now undertaken via an NGT managed distribution list. NGT will issue communications directly to the market and will also endeavour to send direct communications to parties who have expressed an interest in previous OM tenders.

5.0 OM SERVICES FOR GAS STORAGE YEAR 2025/26 PROCUREMENT EVENT

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

5.1 OM Requirements 2025/26

The initial OM requirements for 2025/26 storage year totalled 919 GWh ahead of tender launch. This assumed an NTS network solution including a distribution of OM services as typically offered in recent years.

The profile of the tender submissions allowed an alternative compliant network solution to be calculated, leading to a revised OM volume requirement totalling 893 GWh. Table 1 summarises this position by OM requirement category.

Table 1: OM Requirement Categories (figures may not sum exactly due to rounding)

Operating Margins Requirement Category	2025/26 Initial OM Requirements (GWh)	2025/26 Revised OM Requirements (GWh)
Supply Loss	518	496
Locational – South West	120	89
Locational – South East	32	28
Locational - North	0	0
Locational – Scotland	0	0
Locational - Wales	0	0
Non-Locational	212	245
Orderly Rundown	37	35
Total	919	893

5.2 Tender Participation

For the 2025/26, 36 tender submissions were received from 17 unique participants. Chart 1 illustrates the level of participation compared to previous years. Chart 2 illustrates how the 36 tender submissions received were split between Capacity and Delivery arrangements.

Chart 1: Number of Offers and Participants

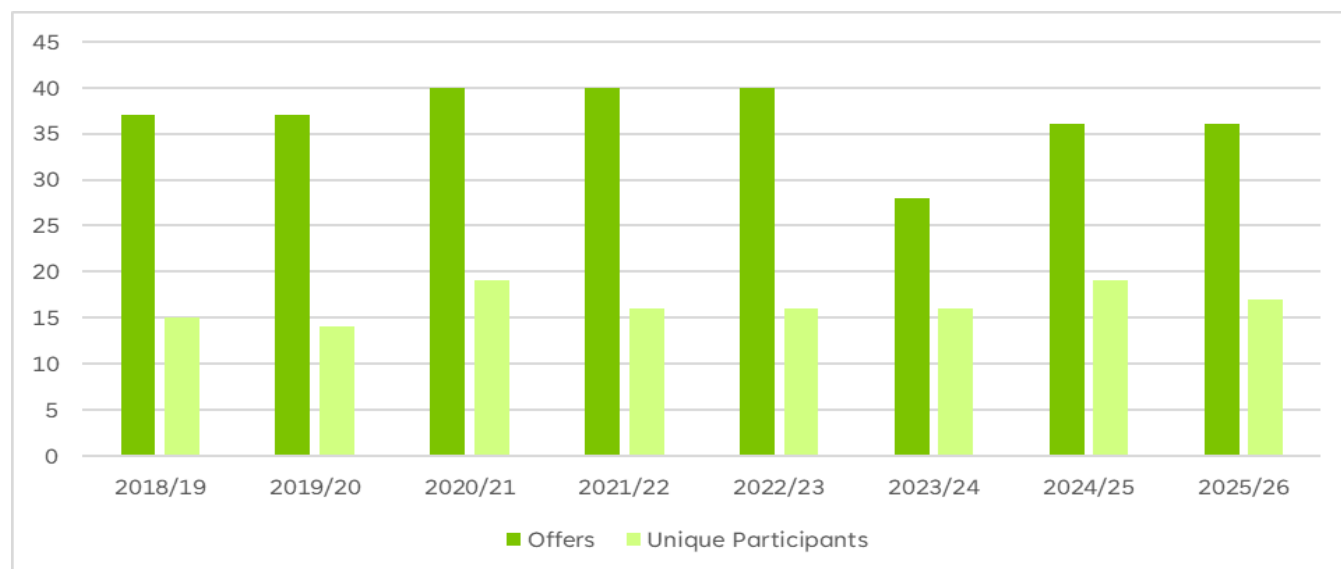
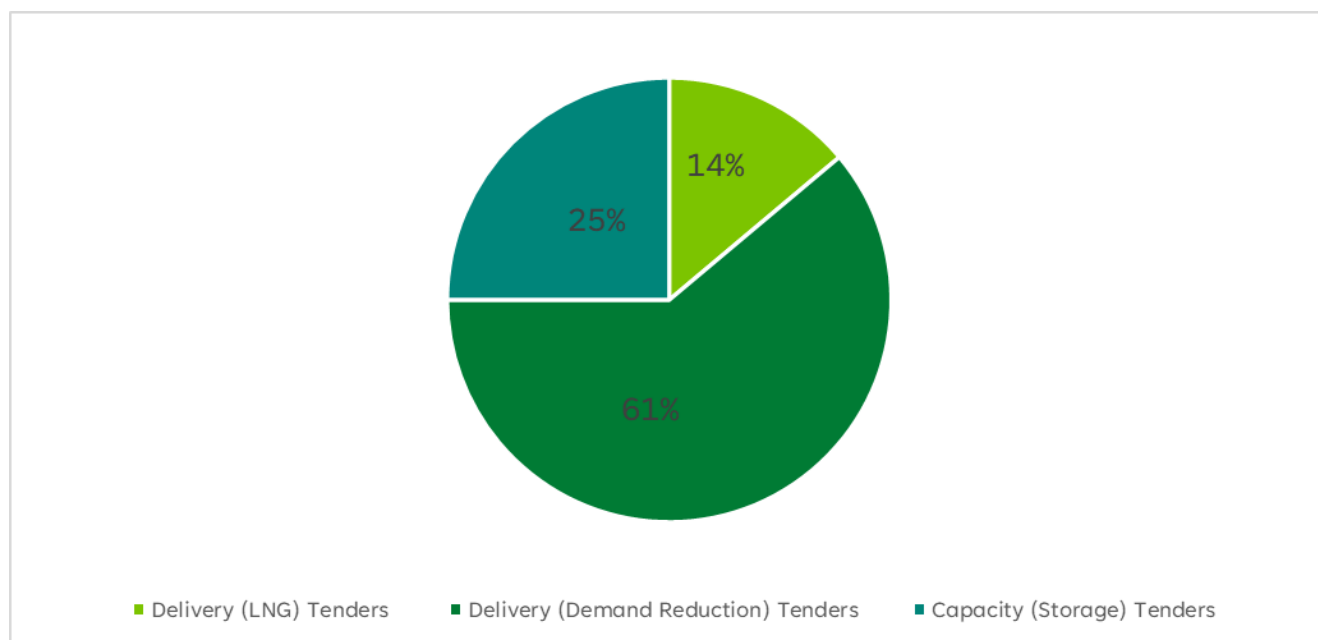


Chart 2: Tender Submission split by type, 2025/26



Out of the 17 unique participants in Chart 2, one participant submitted more than one tender submission across the various Service Provider Category areas and a number of participants provided a number of tender submissions across a number of sites in the Demand Reduction Service Provider Category. Table 2 shows submissions by Service Provider category.

Table 2: Tender Submissions by Service Provider Categories (please note 1 participant submitted in multiple categories)

Service Provider Category	Number of Participants	Number of Tender Submissions
Storage	7	9
LNG	5	5
Demand Reduction	6	22
All Tender Total	18	36

Chart 3 – Number of Participants by OM Category (note 1 participant submitted in multiple categories)

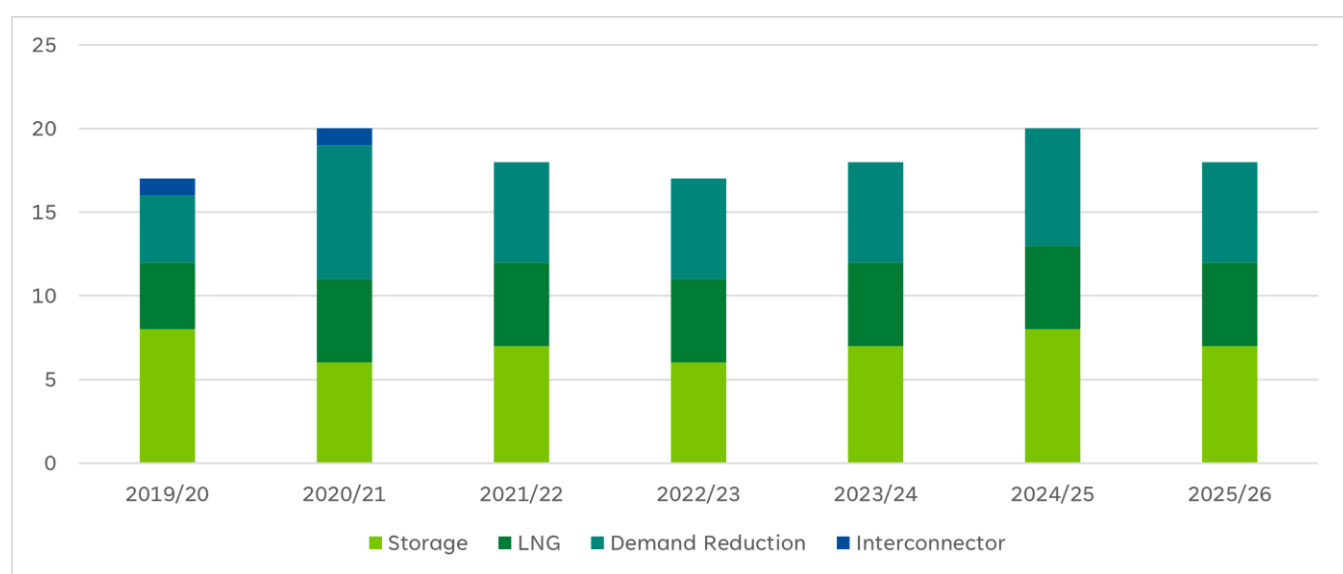
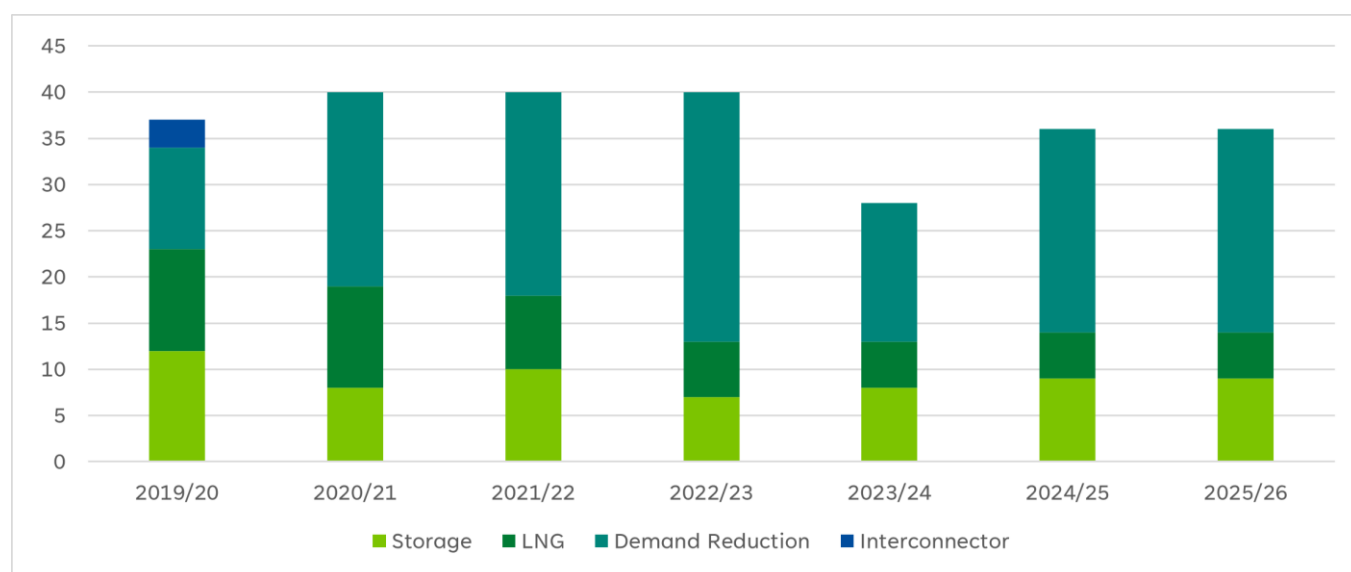


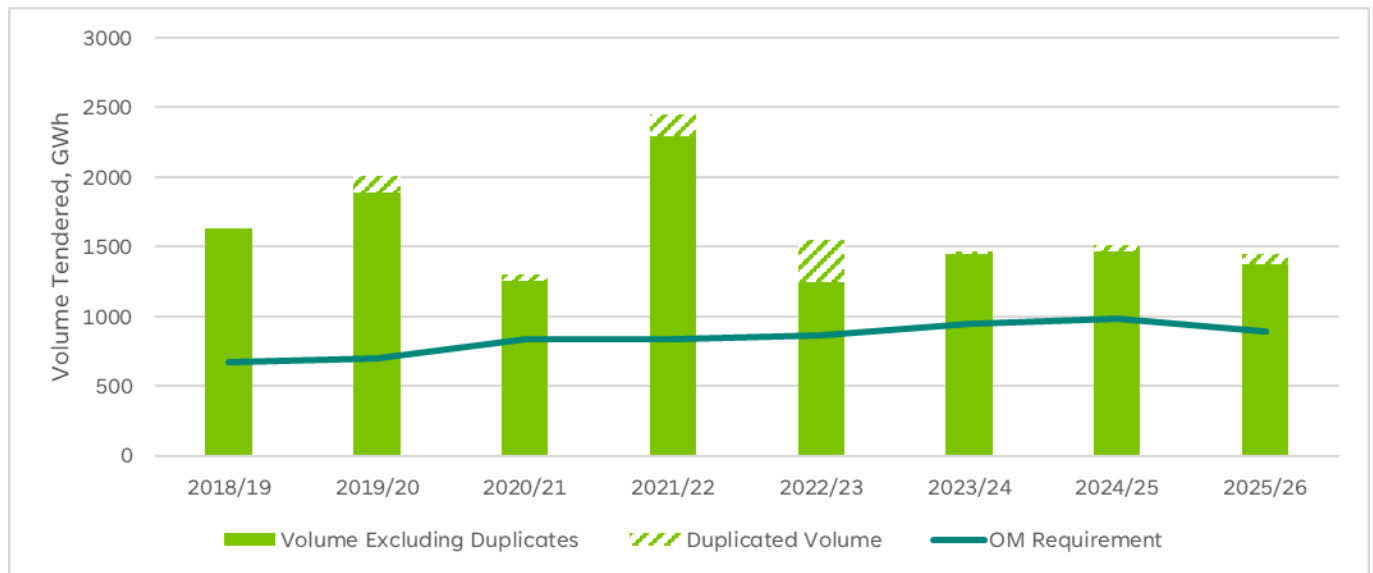
Chart 4 – Number of Tender Submissions by OM Category



5.3 Tendered Volumes

Tendered volumes of 1,446 GWh (1,371) GWh excluding duplicated site volumes submitted by individual tenderers) were available for OM services for 2025/26. This is a decrease in tendered volumes compared to 2024/25, (1516 GWh). This was primarily driven by the reduced number of tender participants (20 in 24/25, 18 in 25/26). Chart 5 shows tender volumes in recent years compared to the OM requirement.

Chart 5: Tendered Volumes vs OM Requirement



5.4 Prices and Acceptances

The criteria for acceptance is wider than cost minimisation and factors in Service Provider physical capability and effectiveness to deliver the OM service, whilst achieving a geographical diversity of the OM service.

Table 3 summarises key price metrics of market tenders received and accepted for the 2025/26 gas storage year through the annual OM Procurement Event.

Table 3: Pricing Metrics

All Contracts

Contract Type	Weighted Average Tender Offered Price (p/kWh)	Weighted Average Tender Accepted Price (p/kWh)	Variance %
Storage	2.32	1.78	-23%
Power Station	3.81	1.48	-61%
LNG	8.31	4.87	-41%
All	3.95	2.03	-49%

5.5 Purchasing Activities and Exchange Trades

During Q2 2024, for Storage Year 2024/25, NGT procured 305,000 therms of OM gas via NBP trades at a weighted average price of 79.7p/th (2.7p/kWh).

During Q2 2025, for Storage Year 2025/26, NGT procured 460,000 therms of OM gas via NBP trades at a weighted average price of 87.98p/th (3.0p/kWh).

6.0 CONCLUSION

For 2025/26, the OM Service requirement has been procured at an estimated cost of £18.5m.

To encourage tender participation, NGT has proactively engaged with potential service providers and consulted with industry in respect of OM contract enhancements whilst ensuring a compliant tender process has been undertaken and delivered value for end consumers.

NGT will continue to monitor the OM position throughout the gas storage year and may make further capacity/volume bookings within year should a further requirement be identified.

7.0 GLOSSARY OF TERMS

Acronym	Term	Definition
ENA	Energy Networks Association	Energy Networks Association (ENA) represents the ‘wires and pipes’ transmission and distribution network operators for gas and electricity in the UK and Ireland.
NTS	National Transmission System	A high-pressure gas transportation system consisting of compressor stations, pipelines, multijunction sites and offtakes. NTS pipelines transport gas from terminals to NTS offtakes and are designed to operate up to pressures of 94 bar(g).
Ofgem	Office of Gas and Electricity Markets	The UK's independent National Regulatory Authority, a non-ministerial government department. Its principal objective is to protect the interests of existing and future electricity and gas consumers.
OM	Operating Margins	Gas used by National Gas Transmission to maintain system pressures under certain circumstances, including periods immediately after a supply loss or demand forecast change, before other measures become effective and in the event of plant failure, such as pipe breaks and compressor trips.
RIIO	Revenue=Incentives+Innovation+Outputs	Ofgem’s regulatory framework is known as RIIO (Revenue = Incentives + Innovation + Outputs). The RIIO model offers network companies incentives for securing investment and driving innovation. This ensures the delivery of sustainable energy networks at the lowest cost for current and future customers. RIIO-T1 covers the 8 year period from April 2013 to April 2021 RIIO-T2 covers the 5 year period thereafter.
	Special Licence Condition 8C, National Gas Transmission plc, Gas Transporter Licence	The Gas Transporter Licence condition which sets out the obligations of the Licensee in respect of the procurement of its Operating Margins requirements and the provision of an Operating Margins Report.
UNC	Uniform Network Code	The Uniform Network Code is the legal and commercial framework that governs the arrangements between the Gas Transporters and Shippers operating in the UK gas market. The UNC comprises different documents including the Transportation Principal Document (TPD) and Offtake Arrangements Document (OAD).

Jamie Mullally
Senior Contract Officer
System Operations

+44 (0)7811 763614
jamie.mullally@nationalgas.com

Richard Loukes
Senior Contract Officer
System Operations

+44 (0)7342 085565
Richard.Loukes@nationalgas.com