

National Gas Transmission

Operating Margins Report

August 2026



Version control

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1.0	18 th August 2026	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).

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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 2026/27
- OM Service and procurement process development
- OM Services procured for Gas Storage Year 2026/27 through the annual tender process
- Total 2026/27 OM Booking

2.0 BACKGROUND

This report relates to the OM Procurement event for Gas Storage Year 2026/27, that was conducted during Gas Storage Year 2025/26. 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 onto 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, the market to deliver additional supply or to reduce demand 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-T3 regime all costs incurred for the procurement and utilisation of OM are a cost pass through element within the GT 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, including capacity holders at storage facilities: large scale demand side users, capacity holders at Interconnectors and capacity holders at LNG importation facilities.

There was no OM utilisation during Storage Year 2025/26. Further information on Gas Operating Margins can be found on the Gas OM pages of the NGT website.¹

3.0 OM REQUIREMENT 2026/27

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 generate further 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 2026/27.²

The methodology identified an initial OM volume requirement of 860 GWh when the Invitation to Tender was launched on 27th November 2025. Tender submissions received allowed for an alternative network compliant solution, this led to a revised OM volume requirement of 1010 GWh as published in the Operating Margins Statement on 27th February 2026. This is ~13% higher than the 2025/2026 requirement of 893 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

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

² https://www.nationalgas.com/sites/default/files/documents/Gas%20OM%20Statement%20202627_%20v1.0.pdf

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

Below is a summary of the key learning points from the 2025/26 OM procurement event that we implemented for the 2026/27 OM procurement event, any learning obtained will enable future OM service development and process improvement.

In particular, NGT notes:

Ahead of the 2026/27 tender, to increase OM supply type diversity, National Gas broadened the scope of the OM Tender to include shippers at Interconnector Facilities. The requirement was for a demand reduction from the NTS and/or a supply increase to the NTS at Balgzand Bacton Line (BBL) and/or Interconnector UK.

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 to further 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 2026/27 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 2026/27

The initial OM requirements for 2026/27 storage year totalled 860 GWh ahead of the 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 1010 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	2026/27 Initial OM Requirements (GWh)	2026/27 Revised OM Requirements (GWh)
Supply Loss	430	469
Locational – South West	96	96
Locational – South East	49	9
Locational – North	0	0
Locational – Scotland	0	0
Locational – Wales	0	0
Non-Locational	202	353
Orderly Rundown	83	83
Total	860	1010

5.2 Tender Participation

For the 2026/27 tender, 49 tender submissions were received from 24 unique participants (compared to 17 in 2025/26). Chart 1 illustrates the level of participation compared to previous

years. Chart 2 illustrates how the 49 tender submissions received were split between Capacity and Delivery arrangements.

Chart 1: Number of Offers and Participants

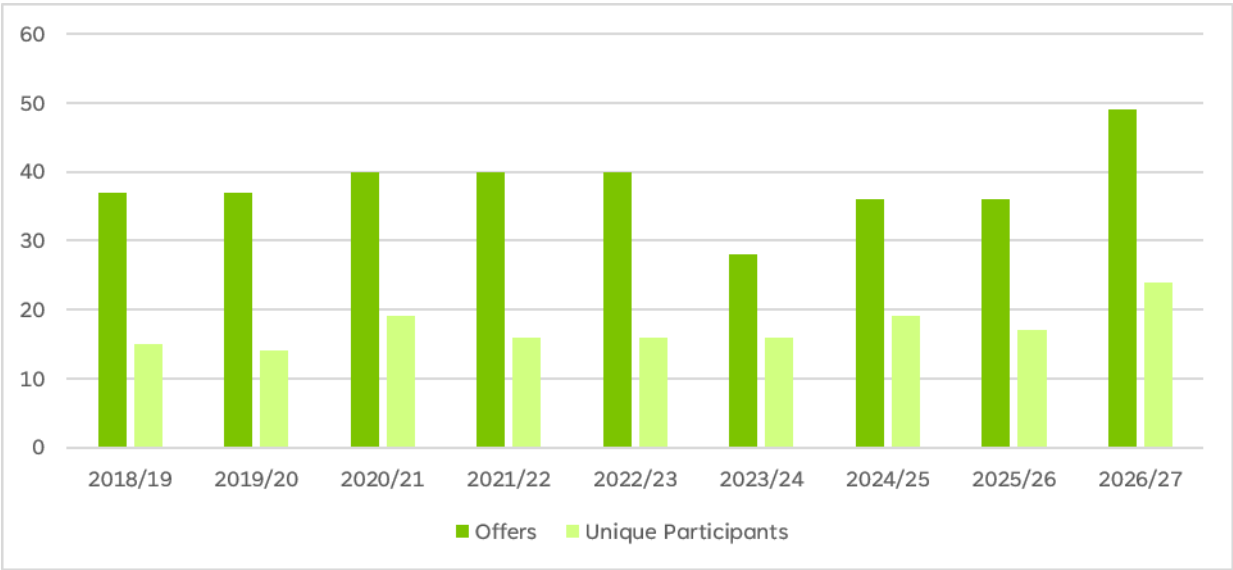
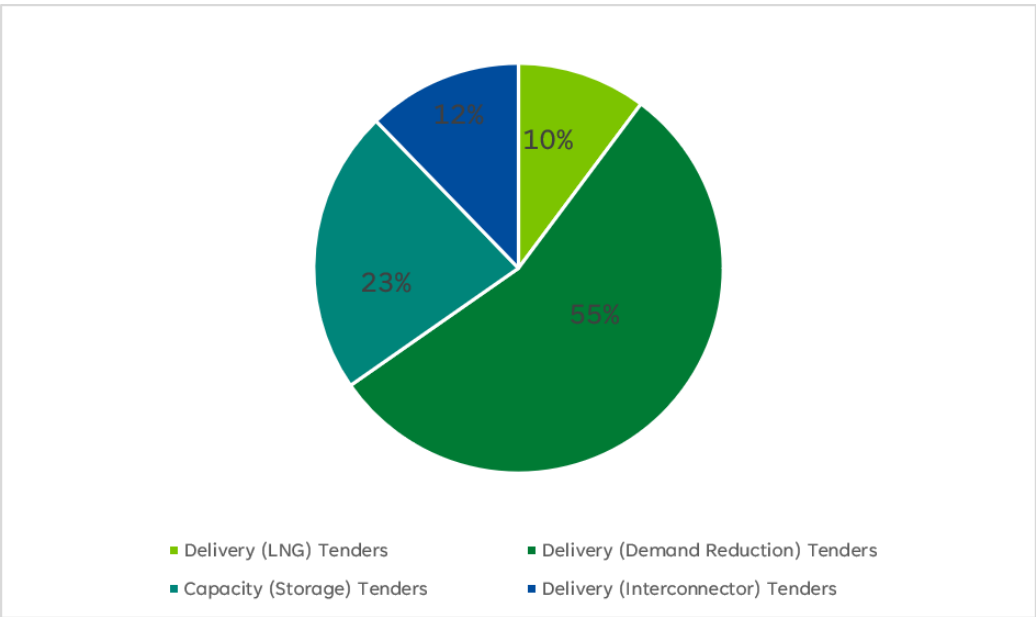


Chart 2: Tender Submission split by type, 2026/27



Out of the 24 unique participants in Chart 2, two participants 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 2 participants submitted in multiple categories)

Service Provider Category	Number of Participants	Number of Tender Submissions
Storage	9	11
LNG	4	5
Demand Reduction	7	27
Interconnector	4	6
All Tender Total	24	49

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

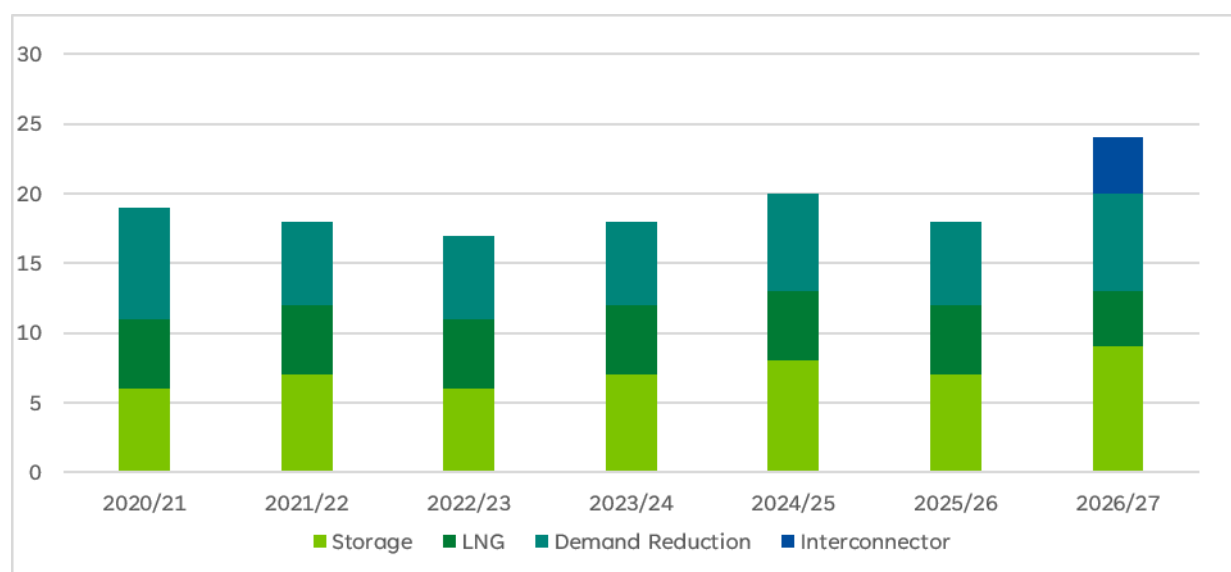
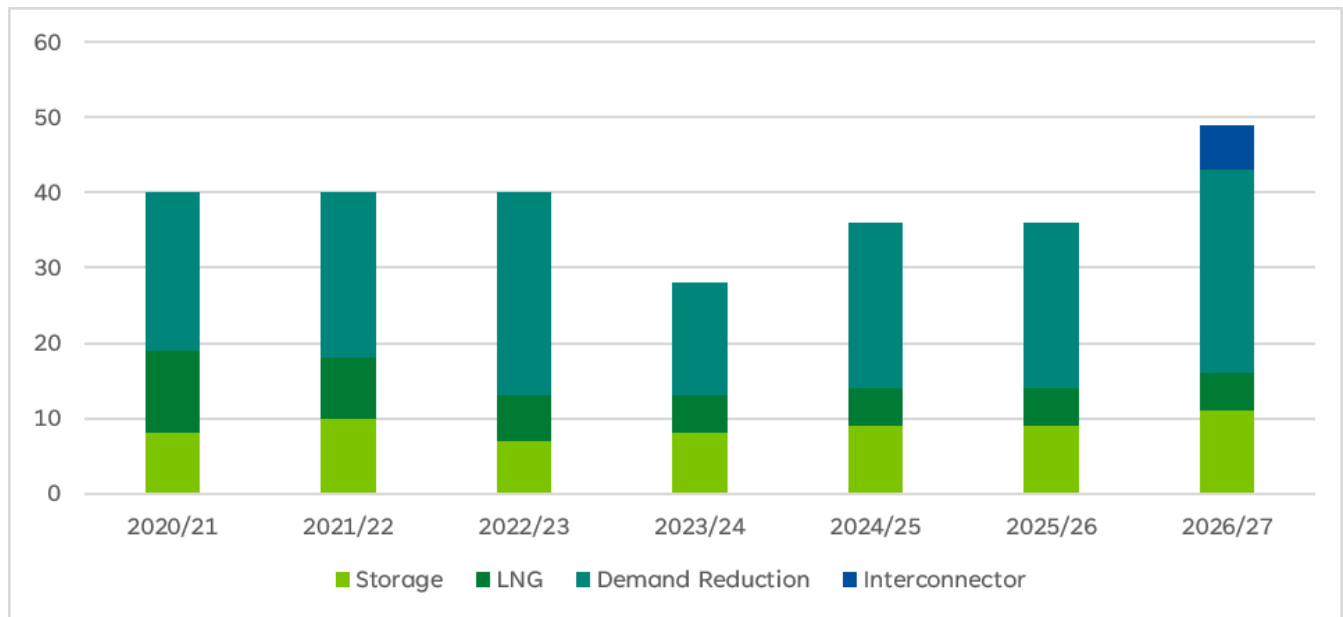


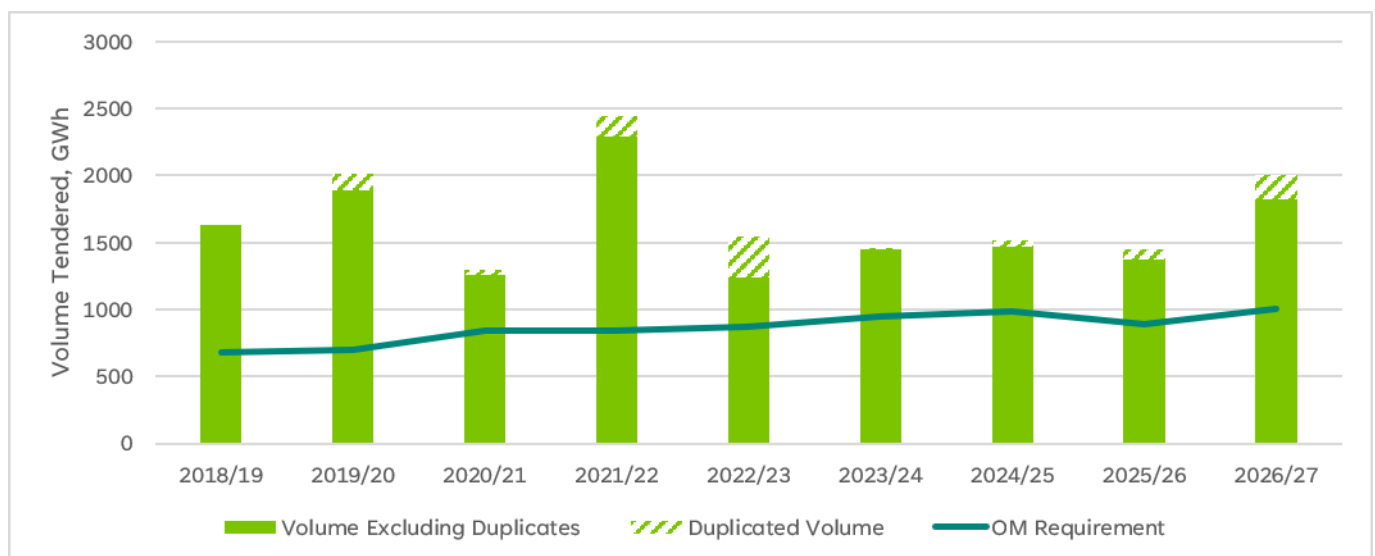
Chart 4 – Number of Tender Submissions by OM Category



5.3 Tendered Volumes

Tendered volumes of 2002 GWh (1822) GWh excluding duplicated site volumes submitted by individual tenderers) were available for OM services for 2026/27. This is an increase in tendered volumes compared to 2025/26, (1446 GWh). This was primarily driven by the increased number of tender participants (18 in 2025/26, 24 in 2026/27) and the introduction of Interconnector Facility offers. 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 2026/27 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	2.36	1.81	-23%
Power Station	2.02	2.66	32%
LNG	5.03	4.00	-21%
Interconnector	11.06	5.15	-53%
All	3.81	2.76	-28%

5.5 Purchasing Activities and Exchange Trades

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).

During Q2 2026, for Storage Year 2026/27, NGT disposed of 150,000 therms of OM gas via NBP trades at a weighted average price of 114.78p/th (3.92p/kWh).

6.0 CONCLUSION

For 2026/27, the OM Service requirement has been procured at an estimated cost of £28.74m.

To encourage tender participation, NGT has proactively engaged with potential service providers, introduced a tender survey 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.

National Gas has this year broadened the scope of the OM Tender to include shippers at Interconnector Facilities. This addition allows for demand reductions from the NTS and/or supply increases to the NTS at Balgzand Bacton Line (BBL) and/or Interconnector UK.

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
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 March 2021 RIIO-T2 covers the 5 year period from April 2021 to March 2026 thereafter. RIIO-T3 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).

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