National Gas Transmission

Procurement Guidelines Report

01 April 2024 – 31 March 2025

Version 1.0

national gas transmission

Table of Contents

1.0 Executive Summary

National Gas Transmission (NGT) has been given the discretion by Ofgem with regard to the Procurement of System Management Services, subject to an obligation under National Gas's Transporter Licence to operate the system in an efficient, economic and co-ordinated manner, and taking into account the GT (Gas Transmission) incentives.

NGT confirms that System Management Services during the period covered by this report has been procured in accordance with the principles set out in the prevailing Procurement Guidelines, and therefore NGT considers that such activities satisfy its relevant Licence obligations.

2.0 Introduction

2.1 Purpose of the Document

This document sets out the Procurement Guidelines ("the Guidelines") which NGT is required to maintain, in accordance with Special Condition 9.19, System Management Services (the Special Condition) of the NGT plc, Gas Transporter Licence (the Licence). The purpose of the Guidelines are to provide information on the System Management Services and tools that NGT may procure in relation to its System Management role. The Guidelines cannot cover every possible situation that NGT may encounter. They represent a generic statement of the procurement principles and tools that the company will use in respect of gas, energy and/or capacity management.

Unless defined in the Guidelines, capitalised terms used herein shall have the same meanings given to them in the Licence or the Uniform Network Code (UNC). Where statutory obligations or the provisions of the UNC are considered inconsistent with any part of these Guidelines, then the relevant statutory obligation and/or UNC provision will take precedence.

The latest version of this document is available electronically from:
https://www.nationalgas.com/about-us/how-were-regulated/gas-industry-compliance

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2.2 Reporting Period

The report includes details of System Management Services procured in relation to the gas flow period 1 April 2024 to 31 March 2025 inclusive.

This reporting period covers the last month of the Storage Year 2023/2024 (April 2024) and the majority of Storage Year 2024/2025 (May 2024 to March 2025).

3.0 Procurement of System Management Services

This report fulfils the requirements of Special Condition 9.19 of the National Gas Transmission (NGT) Gas Transporter Licence, which mandates the development of a Procurement Guidelines Reporti. Special Condition 9.19 outlines the System Management Services provided by NGT, which include activities related to balancing gas inputs and outputs in the National Transmission System (NTS). These activities encompass balancing trades, balancing trade derivatives, and constraint management services.

As specified under Part C of Special Condition 9.19, NGT's 1Procurement Guidelines Document summarises the following System Management Services:

- **Operating Margins** – Ensuring system stability during times of system stress.
- **Shrinkage** – Gas used in the operation of the network, this can be either Own use energy, Unaccounted for gas or CV shrinkage
- **Supplier Demand** – Procuring gas to meet supplier needs in the event of shipper termination, as defined in UNC TPD section D6.
- **Entry and Exit Capacity Management** – Managing capacity at entry and exit points.
- **Gas Balancing** – Balancing supply and demand within the system.
- **Demand Side Response** - Voluntary reduction of gas demand in the period following a Margins Notice (MN) or Gas Balancing Notification (GBN) being issued.

4.0 System Management Services Procured

The services National Gas procured in this period are summarised below.

[1] Procurement Guidelines V23.0.pdf

4.1 Operating Margins (OM)

The purpose of an OM system management service is to ensure operational balancing capability in the event of a supply failure, demand forecast change or plant failure whilst markets react. In addition, a quantity of OM is held in reserve to manage the orderly run-down of the system in an emergency.

Service Component	Component Description and Details
Holdings Contracts (Capacity and Deliverability Arrangements)	NGT (OM) procured this service at the following facilities: **Storage Facilities:** • Aldbrough storage facility • Hill Top Farm storage facility • Holford storage facility • Hornsea storage facility • Humbly Grove storage facility • Stublach Storage Facility • Rough Storage Facility 1 April 2024 – 31 March 2025 (will include contract sites from 23/24 and 24/25) **Delivery Arrangements:** • Milford Haven • Grain LNG • Power Stations

Service Component Description and Details			
Holdings Contracts (Capacity Arrangements) **For the period 1 April 2024 – 31 March 2025, NGT procured OM as follows:**			
Month	**Contract Type**	**Space (kWh)**	**Average Unit cost (p/kWh/annum)**
Apr 24	Capacity Contracts	343,957,411	3.0753
May 24 to Mar 25	Capacity Contracts	352,896,077	1.8120
Holdings Contracts (Delivery Arrangements)			
For the period 1 April 2024 – 31 March 2025, NGT procured OM as follows:			
Month	**Contract Type**	**OM Deliverability (kWh/d)**	**Average Price (p/kWh/annum)**
Apr 24	Delivery Contracts	604,113,740	4.6972
May 24 to Mar 25	Delivery Contracts	628,669,670	3.1081

<table>
<tr><th colspan="2">Service Component Description and Details</th></tr>
<tr><td>Gas Procurement</td><td>NGT utilises this service for the purposes of OM to address an OM gas deficit at a given storage facility where NGT holds OM Capacity Arrangements. OM may source the required gas by injecting gas that has been withdrawn from storage facilities with an OM gas surplus and, or through a market tender process or through the NGT trading desk.

<table>
<tr><th>Delivery Month</th><th>In-store quantity (kWh)</th><th>NBP quantity (kWh)</th><th>In-store weighted average price (p/kWh)</th><th>NBP weighted average price (p/kWh)</th></tr>
<tr><th>Delivery Month</th><th>In-store quantity (kWh)</th><th>NBP quantity (kWh)</th><th>In-store weighted average price (p/kWh)</th><th>NBP weighted average price (p/kWh)</th></tr>
<tr><td>June 2024</td><td>0</td><td>8,792,130</td><td>N/A</td><td>2.7212</td></tr>
<tr><td>June 2024</td><td>0</td><td>146,536</td><td>N/A</td><td>2.6785</td></tr>
</table></td></tr>
<tr><td>Gas Disposal</td><td>For the period 1 April 2024 – 31 March 2025, no OM gas was disposed.</td></tr>
<tr><td>OM Transfer between Storage Facilities</td><td>NGT (OM) utilises this service to address a gas-in-store surplus or deficit by transferring OM gas between Storage Facilities.

For the period 1 April 2024 – 31 March 2025 NGT transferred 48,961,268 kWh of OM gas between Storage facilities.</td></tr>
<tr><td>OM Utilisation</td><td>NGT (OM) utilises Operating Margins services to ensure Operational Balancing capability in the event of a supply failure, demand forecast change or plant failure.

For the period 1 April 2024 – 31 March 2025 there was no OM utilised.</td></tr>
</table>

4.2 Shrinkage

The NTS Shrinkage Provider manages the risk exposure associated with the shrinkage account. Shrinkage covers own use energy (to run compressors), CV shrinkage associated with variations in the calorific value of gas, and unaccounted for gas (meter error, data error, venting). The account is subject to normal cash-out arrangements if the daily gas quantities purchased do not match the daily shrinkage output allocations.
NGT manages this service by trading gas at the National Balancing Point (NBP).

Service Component Description and Details						
NBP Trades	**From 1 April 2024 – 31 March 2025, NGT's procured NTS shrinkage via NBP Trades as follows:**					
Month	**Total Quantity Purchased (kWh)**	**Purchase Cost (£)**	**Weighted Average Purchase Price (p/kWh)**	**Total Quantity Sold (kWh)**	**Sell Revenue (£)**	**Weighted Average Sell Price (p/kWh)**
Apr-24	186,598,306	4,614,649	2.4730	0	-	0.0000
May-24	179,359,452	4,618,653	2.5751	0	-	0.0000
Jun-24	142,315,278	3,931,527	2.7625	0	-	0.0000
Jul-24	337,998,784	9,024,134	2.6699	0	-	0.0000
Aug-24	441,071,855	12,559,736	2.8475	2,579,025	77,213	2.9939
Sep-24	201,808,691	6,279,345	3.1115	72,007,545	2,094,747	2.9091
Oct-24	140,820,616	4,651,039	3.3028	293,071	9,560	3.2620
Nov-24	215,172,728	7,657,437	3.5587	0	-	0.0000
Dec-24	363,730,418	13,130,399	3.6099	0	-	0.0000
Jan-25	230,353,806	8,540,278	3.7075	64,036,014	2,611,988	4.0789
Feb-25	206,615,055	7,935,873	3.8409	0	-	0.0000
Mar-25	181,528,177	6,672,095	3.6755	17,642,874	616,811	3.4961

Service Component Description and Details						
Imbalance Cash-out	**From 1 April 2024 – 31 March 2025, NGT's imbalance cash-out for the NTS shrinkage account was as follows:**					
Month	**Total Quantity Purchased (kWh)**	**Purchase Cost (£)**	**Weighted Average Purchase Price (p/kWh)**	**Total Quantity Sold (kWh)**	**Sell Revenue (£)**	**Weighted Average Sell Price (p/kWh)**
Apr-24	13,969,287	£353,272	2.5289	803,797	£18,730	2.3302
May-24	11,559,402	£315,463	2.7291	536,893	£14,668	2.7319
Jun-24	7,112,318	£204,752	2.8788	1,056,741	£28,985	2.7429
Jul-24	8,873,583	£232,620	2.6215	1,818,603	£44,839	2.4655
Aug-24	17,908,150	£535,829	2.9921	3,338,533	£95,172	2.8507
Sep-24	4,377,570	£138,357	3.1606	5,185,988	£148,153	2.8568
Oct-24	2,317,112	£79,071	3.4125	3,096,699	£103,814	3.3524
Nov-24	23,269,748	£935,898	4.0219	2,888,503	£109,734	3.7990
Dec-24	25,178,710	£974,008	3.8684	1,140,379	£43,526	3.8168
Jan-25	4,324,627	£191,198	4.4211	5,187,997	£211,962	4.0856
Feb-25	15,294,295	£626,031	4.0932	2,425,960	£98,963	4.0794
Mar-25	8,323,086	£295,232	3.5471	6,282,879	£213,523	3.3985

4.3 Contingency Procurer of Supplier Demand

The purpose is to enable NGT to procure gas to meet any shipper less supplier demand, this situation occurs if the supplier's shipper has been terminated in accordance with the provisions of UNC. In the absence of revised shipping arrangements, the supplier(s) associated to that shipper may operate under a 'Deed of Undertaking' (DoU), resulting in the supplier becoming liable for all the energy balancing and transportation charges that would otherwise have been paid by the shipper. The absence of a shipper, all other things being equal would create a short system where outputs from the system are greater than the inputs, as the supplier itself has no means of delivering gas onto the system.

Service Component Description and Details	
Contingency Procurer Of Supplier Demand	During the period 1 April 2024 – 31 March 2025, NGT did not procure any gas within this role due to there being no requirements in the period.

4.4 Entry Capacity Management

The purpose of an entry capacity management service is to enable NGT to efficiently manage firm NTS entry capacity rights. Entry capacity holdings may need to be reduced to either efficiently manage capacity risk exposure or to reduce holdings and thereby manage flows onto the system. NGT may buyback firm NTS entry capacity from Users via the Gemini entry capacity system or it may enter into Capacity Management Agreements (CMAs). NGT may develop further services or enter contracts that will enable it to better manage both its operational and commercial risks.

Service Component Description and Details					
Buybacks on Gemini	**For the period 1 April 2024 – 31 March 2025, NGT procured these services as follows:**				
Month	**ASEP**	**No. of days on which offers accepted**	**No. of offers accepted**	**Quantity accepted (kWh)**	**Weighted average price (p/kWh)**
Apr-24	None	0	0	0	0
May-24	None	0	0	0	0
Jun-24	None	0	0	0	0
Jul-24	None	0	0	0	0
Aug-24	None	0	0	0	0
Sep-24	None	0	0	0	0
Oct-24	None	0	0	0	0
Nov-24	None	0	0	0	0
Dec-24	None	0	0	0	0
Jan-25	None	0	0	0	0
Feb-25	None	0	0	0	0
Mar-25	None	0	0	0	0

Service Component Description and Details			
CMAs – Options Agreements	**For the period 1 April 2024 – 31 March 2025, NGT procured these services as follows:**		
Month	**ASEP**	**Total Quantity Accepted (kWh)**	**Cost of Option (£)**
Apr-24	None	0	0
May-24	None	0	0
Jun-24	None	0	0
Jul-24	None	0	0
Aug-24	None	0	0
Sep-24	None	0	0
Oct-24	None	0	0
Nov-24	None	0	0
Dec-24	None	0	0
Jan-25	None	0	0
Feb-25	None	0	0
Mar-25	None	0	0

Service Component Description and Details			
CMAs – Forwards Agreements	**For the period 1 April 2024 – 31 March 2025, NGT procured these services as follows:**		
Month	**ASEP**	**Quantity utilised (kWh)**	**Total Cost of Forward Buybacks (£)**
Apr-24	None	0	0
May-24	None	0	0
Jun-24	None	0	0
Jul-24	None	0	0
Aug-24	None	0	0
Sep-24	None	0	0
Oct-24	None	0	0
Nov-24	None	0	0
Dec-24	None	0	0
Jan-25	None	0	0
Feb-25	None	0	0
Mar-25	None	0	0

Service Component Description and Details				
CMAs – Options Utilisation	**For the period 1 April 2024 – 31 March 2025, NGT procured these services as follows:**			
Month	**ASEP**	**Quantity utilised (kWh)**	**Total Cost of utilisation (exercise) (£)**	**No. of days on which option exercised**
Apr-24	None	0	0	0
May-24	None	0	0	0
Jun-24	None	0	0	0
Jul-24	None	0	0	0
Aug-24	None	0	0	0
Sep-24	None	0	0	0
Oct-24	None	0	0	0
Nov-24	None	0	0	0
Dec-24	None	0	0	0
Jan-25	None	0	0	0
Feb-25	None	0	0	0
Mar-25	None	0	0	0

Service Component Description and Details	
Flow Management Agreements	**For the period 1 April 2024 – 31 March 2025, NGT procured these services as follows:**
Month	**Total Cost (£)**
Apr-24	0
May-24	0
Jun-24	0
Jul-24	0
Aug-24	0
Sep-24	0
Oct-24	0
Nov-24	0
Dec-24	0
Jan-25	0
Feb-25	0
Mar-25	0

4.5 Exit Capacity Management

The purpose of an exit capacity management service is to enable the system to accommodate gas flows in accordance with Users' firm NTS exit capacity rights. In the event of desired exit flows exceeding capability, NGT may procure a range of demand/supply side services in order to achieve the desired changes in gas flows. NGT may buyback firm NTS exit capacity from Users via the Gemini exit capacity system or it may enter into Capacity Management Agreements (CMAs), to manage NTS exit constraints and/or Network Gas Supply Emergencies. NGT may develop further services or enter into contracts that will enable it to better manage both its operational and commercial risks.

Service Component Description and Details					
Buybacks on Gemini	**For the period 1 April 2024 – 31 March 2025, NGT procured these services as follows:**				
Month	**Exit Point**	**No. of days on which offers accepted**	**No. of offers accepted**	**Quantity accepted (kWh)**	**Weighted average price (p/kWh)**
Apr-24	None	0	0	0	0
May-24	None	0	0	0	0
Jun-24	None	0	0	0	0
Jul-24	None	0	0	0	0
Aug-24	None	0	0	0	0
Sep-24	None	0	0	0	0
Oct-24	None	0	0	0	0
Nov-24	None	0	0	0	0
Dec-24	None	0	0	0	0
Jan-25	None	0	0	0	0
Feb-25	None	0	0	0	0
Mar-25	None	0	0	0	0

Service Component Description and Details			
CMAs – Options Agreements	**For the period 1 April 2024 – 31 March 2025, NGT procured these services as follows:**		
Month	**Exit Point**	**Total Quantity Accepted (kWh)**	**Cost of Option (£)**
Apr-24	None	0	0
May-24	None	0	0
Jun-24	None	0	0
Jul-24	None	0	0
Aug-24	None	0	0
Sep-24	None	0	0
Oct-24	None	0	0
Nov-24	None	0	0
Dec-24	None	0	0
Jan-25	None	0	0
Feb-25	None	0	0
Mar-25	None	0	0

Service Component Description and Details			
CMAs – Forwards Agreements	**For the period 1 April 2024 – 31 March 2025, NGT procured these services as follows:**		
Month	**Exit Point**	**Quantity utilised (kWh)**	**Total Cost of Forward Buybacks (£)**
Apr-24	None	0	0
May-24	None	0	0
Jun-24	None	0	0
Jul-24	None	0	0
Aug-24	None	0	0
Sep-24	None	0	0
Oct-24	None	0	0
Nov-24	None	0	0
Dec-24	None	0	0
Jan-25	None	0	0
Feb-25	None	0	0
Mar-25	None	0	0

Service Component Description and Details				
CMAs – Options Utilisation	**For the period 1 April 204 – 31 March 2025, NGT procured these services as follows:**			
Month	**Exit Point**	**Quantity utilised (kWh)**	**Total Cost of utilisation (exercise) (£)**	**No. of days on which option exercised**
Apr-24	None	0	0	0
May-24	None	0	0	0
Jun-24	None	0	0	0
Jul-24	None	0	0	0
Aug-24	None	0	0	0
Sep-24	None	0	0	0
Oct-24	None	0	0	0
Nov-24	None	0	0	0
Dec-24	None	0	0	0
Jan-25	None	0	0	0
Feb-25	None	0	0	0
Mar-25	None	0	0	0

Service Component Description and Details	
Flow Management Agreements	**For the period 1 April 2024 – 31 March 2025, NGT procured these services as follows:**
Month	**Total Cost (£)**
Apr-24	0
May-24	0
Jun-24	0
Jul-24	0
Aug-24	0
Sep-24	0
Oct-24	0
Nov-24	0
Dec-24	0
Jan-2	0
Feb-25	0
Mar-25	0

4.6 Gas Balancing

The purpose of a gas balancing system management service is to enable NGT, either acting in its role as residual system balancer to balance the gas inputs to and offtakes from the NTS within acceptable levels, or for the purposes of localised system management.

Service Component Description and Details
NGT trades on the ICE Index On-the-day Commodity Market (OCM) day ahead and/or within day to resolve imbalances. OCM trades are deployed to achieve both national system balance and to meet localised requirements. For national system requirements, NGT can trade in all three OCM markets i.e. physical, title and locational. For localised requirements, NGT only trades in the locational market. **During the period 1 April 2024 – 31 March 2025, NGT carried out the following OCM trades:**

OCM 'Title' trades to address a National Requirement: National 'NBP Title' Trades

Month	No of Days on Which Trades Accepted	Number of Trade Buys	Number of Trade Sells	Quantity Purchased (kWh)	Quantity Sold (kWh)	Purchase Cost (£)	Sell Revenue (£)
Apr-24	18	87	180	146,359,664	332,782,133	3,865,592	7,922,739
May-24	17	49	94	119,279,898	167,578,003	3,311,595	4,212,123
Jun-24	16	19	119	38,304,380	232,610,461	1,139,962	6,450,606
Jul-24	13	28	78	63,860,172	211,099,043	1,700,626	5,240,844
Aug-24	24	69	113	133,698,994	205,911,690	3,916,657	5,767,157
Sep-24	23	149	95	341,310,491	199,493,432	10,621,386	5,752,612
Oct-24	27	161	149	365,078,554	302,859,578	12,699,109	10,042,106
Nov-24	14	146	46	304,881,769	96,273,823	12,012,313	3,571,792
Dec-24	22	147	196	320,062,839	459,769,795	13,048,251	16,138,055
Jan-25	20	175	98	404,613,829	211,685,189	17,341,271	8,842,836
Feb-25	17	76	167	153,276,135	361,884,080	6,755,084	14,589,565
Mar-25	24	53	307	115,616,511	633,912,578	4,253,869	20,927,900

Service Component Description and Details									
OCM 'Physical' trades to address a National Requirement									
Month	**No. of days on which trades accepted**	**No. of Trade buys**	**No. of Trade sells**	**Quantity Purchased (kWh)**	**Quantity Sold (kWh)**	**Purchase cost (£)**	**Sell revenue (£)**	**Weighted Average Purchase Price (p/kWh)**	**Weighted Average Sell Price (p/kWh)**
No OCM Physical trades were conducted in this period to address a National Requirement.									

Service Component Description and Details									
OCM 'Locational' trades to address a National Requirement									
Month	**No. of days on which trades accepted**	**No. of Trade buys**	**No. of Trade sells**	**Quantity Purchased (kWh)**	**Quantity Sold (kWh)**	**Purchase cost (£)**	**Sell revenue (£)**	**Weighted Average Purchase Price (p/kWh)**	**Weighted Average Sell Price (p/kWh)**
No OCM Locational trades were conducted in this period to address a National Requirement.									

Service Component Description and Details									
OCM 'Locational' trades to address a Localised Requirement									
Month	**No. of days on which trades accepted**	**No. of Trade buys**	**No. of Trade sells**	**Quantity Purchased (kWh)**	**Quantity Sold (kWh)**	**Purchase cost (£)**	**Sell revenue (£)**	**Weighted Average Purchase Price (p/kWh)**	**Weighted Average Sell Price (p/kWh)**
No OCM Locational trades were conducted in this period to address a Localised Requirement.									

4.7 Demand Side Response (DSR)

Demand Side Response arrangements provide a mechanism for large consumers of gas to offer to voluntarily reduce their gas demand in return for a compensation payment, which they define, during times of system stress. DSR aims to reduce the likelihood, severity and duration of a gas supply emergency.

Service Component Description and Details									
Gas Demand Side Response Trades (Shipper DSR market trades)									
Month	**No. of days on which trades accepted**	**No. of Trade buys**	**No. of Trade sells**	**Quantity Purchased (kWh)**	**Quantity Sold (kWh)**	**Purchase cost (£)**	**Sell revenue (£)**	**Weighted Average Purchase Price (p/kWh)**	**Weighted Average Sell Price (p/kWh)**
No Gas Demand Side Response trades were taken.									

<table>
<tr>
<td>Demand Side Response (DSR)</td>
<td>
NGT has entered Option Contracts for a DSR service to be available between 1 November 2024 and 30 April 2025 however this report only covers up to 31 March 2025. In this period, no DSR arrangements have been exercised during April 2024 or between 1 November 2024 and 31 March 2025.

The following Table shows the aggregate contract award and value from 1 April 2024 to 30 April 2024

<table>
<tr><th>Aggregate DSR reduction Quantity (kWh/d)</th><th>Weighted Average Option Price (p/kWh/d)</th><th>Total Option Cost (£)</th></tr>
<tr><td>6,396,722</td><td>0.57p</td><td>1,094,244.62</td></tr>
</table>

The following Table shows an overview of contracts awarded from 1 November 2024 to 31 March 2025

<table>
<tr><th>Aggregate DSR reduction Quantity (kWh/d)</th><th>Weighted Average Option Price (p/kWh/d)</th><th>Total Option Cost (£)</th></tr>
<tr><td>4,290,638</td><td>0.47p</td><td>3,058,578.00</td></tr>
</table>
</td>
</tr>
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