National Gas Transmission

Procurement Guidelines Report

01 April 2023 – 31 March 2024

Version 1.0

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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 is 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

Or from:

Steven Fisher
Head of Commercial and Incentives
Gas System Operations
National Gas Transmission
Warwick
CV34 6DA

2.2 Reporting Period

The report includes details of System Management Services procured in relation to the gas flow period 1 April 2023 to 31 March 2024 inclusive.

This reporting period covers the last month of the Storage Year 2022/2023 (April 2023) and the majority of Storage Year 2023/2024 (May 2023 to March 2024).

3.0 Procurement of System Management Services

Special Condition 9.19 of NGT's GT Licence defines the System Management Services as the "services in relation to the balancing of gas inputs to and gas off takes from the National Transmission System (NTS) and includes balancing trades and balancing trade derivatives and constraint management services".

Table 1 summarises the System Management Services required for the following applications; These are: -

1. Operating Margins
2. System Operation
3. Shrinkage
4. Contingency Procurer of Supplier Demand
5. Entry Capacity Management
6. Exit Capacity Management
7. Gas Balancing
8. Demand Side Response

4.0 System Management Services Procured

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

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 2023 – 31 March 2024 (will include contract sites from 22/23 and 23/24) **Delivery Arrangements:** • Milford Haven • Grain LNG • Power Stations

Service Component Description and Details			
Holdings Contracts (Capacity Arrangements) **For the period 1 April 2023 – 31 March 2024, NGT procured OM as follows:**			
Month	**Contract Type**	**Space (kWh)**	**Average Unit cost (p/kWh/annum)**
Apr 23	Capacity Contracts	333,846,462	2.0269
May 23 to Mar 24	Capacity Contracts	343,957,411	2.2016
Holdings Contracts (Delivery Arrangements)			
For the period 1 April 2023 – 31 March 2024, NGT procured OM as follows:			
Month	**Contract Type**	**OM Deliverability (kWh/d)**	**Average Price (p/kWh/d/annum)**
Apr 23	Delivery Contracts	654,910,461	4.7257
May 23 to Mar 24	Delivery Contracts	604,113,740	3.3627

<table>
<tr><th colspan="2">Service Component Description and Details</th></tr>
<tr><td>Gas Procurement</td><td>OM utilises this service to address an OM gas deficit at a given storage facility where NGT holds Operating Margins Capacity Arrangements. OM may source required gas by injecting gas that has been withdrawn from storage facilities with an OM gas surplus, or through a market tender process or through our 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 2023</td><td>0</td><td>8,792,130</td><td>N/A</td><td>2.3211</td></tr>
<tr><td>July 2023</td><td>0</td><td>1,318,820</td><td>N/A</td><td>2.8681</td></tr>
</table>
</td></tr>
<tr><td>Gas Disposal</td><td>For the period 1 April 2023 – 31 March 2024, 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 2023 – 31 March 2024 NGT transferred 26,000,000 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 2023 – 31 March 2024 there was no OM utilised.</td></tr>
</table>

4.2 System Operation

The purpose of the System Operator is to ensure Standard Contracts are set up to provide operational balancing capability in the event of a supply failure, demand forecast change or plant failure. NGT may develop further services or enter into contracts that will enable it to better manage its operational and commercial risks.

The standard contracts are;

- **Network Entry Agreement (NEA)** – contains Network Entry Provisions and Local Operating Procedures which specify the terms, conditions and requirements to allow the delivery of gas to the network.
- **Network Exit Agreement (NExA)** – contains Network Exit Provisions and Local Operating Procedures which specify the terms, conditions and requirements to allow the offtake of gas from the network.
- **Interconnection Agreement (IA)** – contains Network Entry/Exit Provisions and Local Operating Procedures which specify the terms, conditions and requirements to allow both the delivery of gas to the network and the offtake of gas from the network.
- **Storage Connection Agreement (SCA)** – contains Network Entry/Exit Provisions and Local Operating Procedures which specify the terms, conditions and requirements to allow both the delivery of gas to the network and the offtake of gas from the network.
- **OAD Supplemental Agreement** – contains the terms, conditions and requirements to allow the offtake of gas from the network by a Distribution Network Operator.

Service Component Description and Details	
Standard Contracts (e.g., NEA, NExA, IA, SCA)	**During the period 1 April 2023 – 31 March 2024, NGT did not procure standard contracts for day-to-day system operation.**

4.3 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 2023 – 31 March 2024, 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-23	304,178,391	15,997,516	5.2593	46,891,360	1,509,665	3.2195
May-23	323,140,085	16,320,707	5.0507	12,777,896	383,144	2.9985
Jun-23	274,343,763	13,932,523	5.0785	2,930,710	88,650	3.0249
Jul-23	217,253,532	10,159,042	4.6761	112,744,414	2,620,883	2.3246
Aug-23	204,417,023	9,762,923	4.7760	147,531,941	4,174,730	2.8297
Sep-23	189,030,795	9,092,580	4.8101	79,129,170	2,387,194	3.0168
Oct-23	231,672,626	8,974,407	3.8737	65,911,668	2,598,778	3.9428
Nov-23	254,971,770	9,982,045	3.9150	7,326,775	249,500	3.4053
Dec-23	536,906,072	19,820,919	3.6917	5,539,042	172,379	3.1121
Jan-24	469,734,199	16,748,674	3.5656	0	0	0.0000
Feb-24	353,385,012	11,646,945	3.2958	21,394,183	446,700	2.0880
Mar-24	286,183,832	10,046,480	3.5105	85,225,047	1,936,813	2.2726

Service Component Description and Details						
Imbalance Cash-out	**From 1 April 2023 – 31 March 2024, 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-23	10,010,169	£362,979	3.6261	3,911,002	£125,101	3.1987
May-23	4,745,335	£111,473	2.3491	10,269,407	£246,632	2.4016
Jun-23	23,534,314	£666,704	2.8329	2,167,766	£58,267	2.6879
Jul-23	5,530,987	£162,220	2.9329	6,482,313	£153,201	2.3634
Aug-23	289,534	£9,632	3.3268	12,663,635	£354,907	2.8026
Sep-23	1,826,507	£60,408	3.3073	16,106,985	£479,232	2.9753
Oct-23	2,932,275	£104,915	3.5779	11,132,192	£428,322	3.8476
Nov-23	15,499,644	£596,131	3.8461	4,085,063	£129,794	3.1773
Dec-23	9,607,631	£280,385	2.9184	6,547,717	£180,660	2.7591
Jan-24	23,681,128	£635,916	2.6853	1,215,016	£29,833	2.4554
Feb-24	9,896,477	£224,569	2.2692	2,874,842	£60,965	2.1206
Mar-24	2,080,234	£50,015	2.4043	10,411,062	£233,601	2.2438

4.4 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 2023 – 31 March 2024, NGT did not procure any gas within this role due to there being no requirement to do so in the period.**

4.5 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 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 2023 – 31 March 2024, 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-23	None	0	0	0	0
May-23	None	0	0	0	0
Jun-23	None	0	0	0	0
Jul-23	None	0	0	0	0
Aug-23	None	0	0	0	0
Sep-23	None	0	0	0	0
Oct-23	None	0	0	0	0
Nov-23	None	0	0	0	0
Dec-23	None	0	0	0	0
Jan-24	None	0	0	0	0
Feb-24	None	0	0	0	0
Mar-24	None	0	0	0	0

Service Component Description and Details			
CMAs – Options Agreements	**For the period 1 April 2023 – 31 March 2024, NGT procured these services as follows:**		
Month	**ASEP**	**Total Quantity Accepted (kWh)**	**Cost of Option (£)**
Apr-23	None	0	0
May-23	None	0	0
Jun-23	None	0	0
Jul-23	None	0	0
Aug-23	None	0	0
Sep-23	None	0	0
Oct-23	None	0	0
Nov-23	None	0	0
Dec-23	None	0	0
Jan-24	None	0	0
Feb-24	None	0	0
Mar-24	None	0	0

Service Component Description and Details			
CMAs – Forwards Agreements	**For the period 1 April 2023 – 31 March 2024, NGT procured these services as follows:**		
Month	**ASEP**	**Quantity utilised (kWh)**	**Total Cost of Forward Buybacks (£)**
Apr-23	None	0	0
May-23	None	0	0
Jun-23	None	0	0
Jul-23	None	0	0
Aug-23	None	0	0
Sep-23	None	0	0
Oct-23	None	0	0
Nov-23	None	0	0
Dec-23	None	0	0
Jan-24	None	0	0
Feb-24	None	0	0
Mar-24	None	0	0

Service Component Description and Details				
CMAs – Options Utilisation	**For the period 1 April 2023 – 31 March 2024, NGT procured these services as follows:**			
Month	**ASEP**	**Quantity utilised (kWh)**	**Total Cost of utilisation (exercise) (£)**	**No. of days on which option exercised**
Apr-23	None	0	0	0
May-23	None	0	0	0
Jun-23	None	0	0	0
Jul-23	None	0	0	0
Aug-23	None	0	0	0
Sep-23	None	0	0	0
Oct-23	None	0	0	0
Nov-23	None	0	0	0
Dec-23	None	0	0	0
Jan-24	None	0	0	0
Feb-24	None	0	0	0
Mar-24	None	0	0	0

Service Component Description and Details	
Flow Management Agreements	**For the period 1 April 2023 – 31 March 2024, NGT procured these services as follows:**
Month	**Total Cost (£)**
Apr-23	0
May-23	0
Jun-23	0
Jul-23	0
Aug-23	0
Sep-23	0
Oct-23	0
Nov-23	0
Dec-23	0
Jan-24	0
Feb-24	0
Mar-24	0

4.6 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 2023 – 31 March 2024, 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-23	None	0	0	0	0
May-23	None	0	0	0	0
Jun-23	None	0	0	0	0
Jul-23	None	0	0	0	0
Aug-23	None	0	0	0	0
Sep-23	None	0	0	0	0
Oct-23	None	0	0	0	0
Nov-23	None	0	0	0	0
Dec-23	None	0	0	0	0
Jan-24	None	0	0	0	0
Feb-24	None	0	0	0	0
Mar-24	None	0	0	0	0

Service Component Description and Details			
CMAs – Options Agreements	**For the period 1 April 2023 – 31 March 2024, NGT procured these services as follows:**		
Month	**Exit Point**	**Total Quantity Accepted (kWh)**	**Cost of Option (£)**
Apr-23	None	0	0
May-23	None	0	0
Jun-23	None	0	0
Jul-23	None	0	0
Aug-23	None	0	0
Sep-23	None	0	0
Oct-23	None	0	0
Nov-23	None	0	0
Dec-23	None	0	0
Jan-24	None	0	0
Feb-24	None	0	0
Mar-24	None	0	0

Service Component Description and Details			
CMAs – Forwards Agreements	**For the period 1 April 2023 – 31 March 2024, NGT procured these services as follows:**		
Month	**Exit Point**	**Quantity utilised (kWh)**	**Total Cost of Forward Buybacks (£)**
Apr-23	None	0	0
May-23	None	0	0
Jun-23	None	0	0
Jul-23	None	0	0
Aug-23	None	0	0
Sep-23	None	0	0
Oct-23	None	0	0
Nov-23	None	0	0
Dec-23	None	0	0
Jan-24	None	0	0
Feb-24	None	0	0
Mar-24	None	0	0

Service Component Description and Details				
CMAs – Options Utilisation	**For the period 1 April 2023 – 31 March 2024, 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-23	None	0	0	0
May-23	None	0	0	0
Jun-23	None	0	0	0
Jul-23	None	0	0	0
Aug-23	None	0	0	0
Sep-23	None	0	0	0
Oct-23	None	0	0	0
Nov-23	None	0	0	0
Dec-23	None	0	0	0
Jan-24	None	0	0	0
Feb-24	None	0	0	0
Mar-24	None	0	0	0

Service Component Description and Details	
Flow Management Agreements	**For the period 1 April 2023 – 31 March 2024, NGT procured these services as follows:**
Month	**Total Cost (£)**
Apr-23	0
May-23	0
Jun-23	0
Jul-23	0
Aug-23	0
Sep-23	0
Oct-23	0
Nov-23	0
Dec-23	0
Jan-24	0
Feb-24	0
Mar-24	0

4.7 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 2023 – 31 March 2024, 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-23	23	84	261	170,039,797	588,779,652	6,027,390	19,467,332
May-23	20	72	270	163,680,155	514,281,005	4,835,003	12,015,756
Jun-23	23	105	62	214,527,974	138,065,749	6,033,735	3,475,388
Jul-23	21	62	186	126,929,050	332,606,290	3,092,470	7,996,417
Aug-23	20	121	70	274,255,846	160,983,901	8,650,837	4,612,879
Sep-23	20	159	45	334,423,327	83,261,471	11,278,412	2,526,028
Oct-23	18	194	41	438,961,751	79,217,090	17,932,354	2,636,255
Nov-23	17	97	80	220,653,157	162,859,558	8,855,203	5,504,879
Dec-23	22	104	200	205,999,611	379,468,339	7,189,773	10,605,648
Jan-24	20	153	132	314,054,891	237,680,585	8,073,419	5,957,783
Feb-24	18	29	328	70,014,664	667,967,439	1,520,163	13,748,234
Mar-24	19	75	175	160,720,142	402,327,875	3,684,398	9,158,929

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.									

4.8 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									
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.									

Demand Side Response (DSR)

Following the implementation of the UNC Modification Proposal 0822, NGT entered Option contracts for a DSR service to be available between 1 November 2023 to 30 April 2024 however this report only covers up to 31 March 2024 In this period, no DSR arrangements have been exercised either in April 2023 or between 1 November 2023 and 31 March 2024.

The following Table shows the aggregate contract award from 1 April 2023 to 30 April 2023

Aggregate DSR Reduction Quantity (kWh/d)	Option Price Average (p/kWh/d)	Total Option Cost
2,100,000	0.63	£399,000

The following table shows the overview of contracts awarded from 1st November 2023 to 31st March 2024

Aggregate DSR Reduction Quantity (kWh/d)	Option Price Average (p/kWh/d)	Total Option Cost
6,396,722	0.57	£5,544,172