

National Grid Gas plc

Operating Margins Tender
2012

Explanation and Tender Guidance
Document

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Website:

<http://www.nationalgrid.com/uk/Gas/OperationalInfo/GasOperatingMargins/>

nationalgrid

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1. Background

At the last Transmission Price Control Review, National Grid Gas accepted NTS Special Licence Condition C25, which requires it to "...use reasonable endeavours to promote competition in the provision of Operating Margins ("OM") services..."

A significant amount of work has been completed in this regard, including successful engagement with the industry via three consultations, workshops, a UNC modification proposal and a range of bilateral meetings, all with the aim of ensuring, as far as possible, that barriers to participation are removed and that interested parties were able to participate in the development of proposals, thereby giving them the best chance of success.

2. Introduction

Important - Please Read

This Explanation and Tender Guidance Document is to be read in conjunction with the following documentation which is available on National Grid's website:

<http://www.nationalgrid.com/uk/Gas/OperationalInfo/GasOperatingMargins/>

- Invitation to Tender (ITT) letter
- Tender Sheets
 - Tender Pack 1 – Capacity
 - Tender Pack 2 – Gas Delivery
- Generic Operating Margins Gas Agreements
 - Operating Margins Gas Storage Agreement (capacity tenders)
 - Operating Margins Gas Delivery Service Agreement (deliverability terms for supply increase/demand reduction tenders)
 - Operating Margins Services Agreement from LNG Importation Terminal
- Gas Indexation Principles Document
- Gas Operating Margins Tender User Flowchart

together with this Explanation and Tender Guidance Document referred to as "the Documentation".

Disclaimer and Tenderer's Responsibility

This Explanation and Tender Guidance Document is not intended to be legally binding or to form any offer capable of acceptance. Nothing herein shall be deemed to create a legal relationship between National Grid Gas and any other person.

Tenderers for the Operating Margins service shall satisfy themselves of the accuracy and completeness of any information they may use in preparing their tenders, whether such information is provided by National Grid Gas or comes from any other source. National Grid Gas, its advisors and any other person responsible for production of any information to a tenderer do not accept any duty of care to the tenderer. It is the duty and responsibility of a tenderer to ensure that it takes into account all considerations relating to the tender for and entering into an agreement for Operating Margins Service.

National Grid Gas reserves the right not to proceed with any tenders or proposals made in response to the Documentation.

Terminology and Interpretation

The Documentation makes reference to various technical and industry-related terms and phrases. Save where otherwise expressly defined, these shall have the meanings set out in the relevant generic Operating Margins Gas Agreements. In the event of any conflict between the generic Operating Margins Gas Agreements and any other information supplied with, contained in or referred to in the Documentation (and any other information supplied at any time by National Grid Gas with respect to Operating Margins Service), tenderers and prospective tenderers should rely solely on the terms and conditions set out or referred to in the generic Operating Margins Gas Agreements. The information contained in this Explanation and Tender Guidance Document is, to the best of National Grid Gas' belief, accurate and has been given in good faith. However, no warranty or representation or other obligation or commitment of any kind is given by National Grid Gas, its employees or advisers as to the accuracy and completeness of any information contained in this Explanation and Tender Guidance Document, or that there are not other matters material to the matters referred to herein other than is contained or referred to in such information. Neither National Grid Gas nor its employees or advisers shall be under any liability for any error, misstatement or omission in this Explanation and Tender Guidance Document and none of such information shall constitute a contract or part of a contract.

3. Overview of Operating Margins

3.1 The Need for Operating Margins

National Grid Gas purchases OM on an annual basis in line with both the requirements of TPD section K of the UNC and obligations described in the National Grid Gas Safety Case in respect of the NTS (the “Safety Case”). The Safety Case places an obligation on National Grid Gas to maintain OM at levels and locations determined throughout the year.

The OM service is used to maintain system pressures in the period before other system management services become effective, for example national or locational balancing actions by either the System Operator or from the market. Primarily, OM will be used in the immediate period following the occurrence of any of the following, to the extent that all other System Operator actions are insufficient:

- Supply Loss: Terminal, Sub-Terminal, Interconnector, LNG Importation Terminal;
- Pipe Break (including loss of infrastructure that renders pipe unusable);
- Compressor Failure; and
- Demand Forecast Error.

It is important to ensure that the deliverability and sustainability of OM holdings is sufficient to manage these events.

A quantity of OM is also procured to manage the orderly run-down of the System in the event of a Network Gas Supply Emergency (NGSE) whilst firm load shedding takes place.

National Grid Gas forecasts its OM requirements (both locational and non-locational) by using network analysis and statistical techniques to model the impact of the operational stresses described above.

3.2 The OM Requirement¹

Tenders are invited from Storage, LNG Importation with Storage, Supply Increase and/or Offtake Reduction to meet our forecast OM requirement for 2012/13. The forecast requirement is as follows:

Year	Volume (GWh)
2012/13	1090

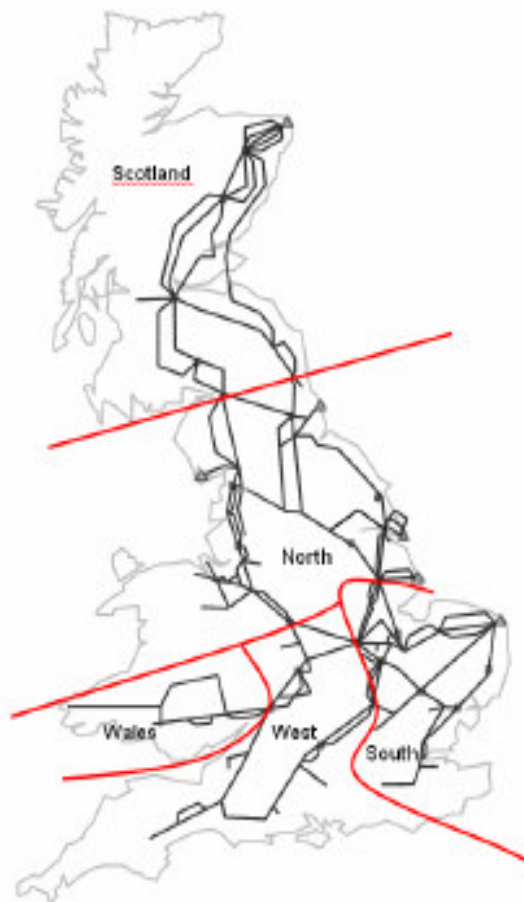
¹ This requirement is an indicative forecast as published in ‘Table 2.1: Operating Margins Requirement’ in the Initial Incentive Proposals document and is subject to review following the winter period 2010: <http://www.nationalgrid.com/NR/rdonlyres/E0A2DD71-7EFC-4B2A-95E0-52CDE2746420/43997/GasSOInitialProposals201112.pdf>

The locational part of the forecast OM requirement, for all three periods, is as follows:

NTS Zone	Volume (GWh)
Scotland	0
North	0
Wales	0
West	117
South	17

National Grid Gas requests tenders for up to one year, for services starting on 1st May 2012.

Figure 1: Gas Operating Margins Locational NTS Zones



4. Summary of Tenders Requested

National Grid Gas is looking to receive tenders for OM service provision from existing and new service providers as set out below:

4.1 Permissible Service Categories under current terms

Permissible service provider types under current arrangements are as follows:

1. Storage facility operators
2. Primary capacity holders at storage facilities (it is envisaged that primary capacity holders will transfer space and injection rights with National Grid Gas signing the Storage facility operators terms and conditions, however, National Grid Gas would consider alternatives)
3. LNG Importation (with storage) facility operators
4. Primary capacity holders at LNG importation facilities with storage
5. Offers for a guaranteed level of supply increase/offtake reduction (or combination thereof) from a Shipper's portfolio; or
6. Offers for a site to be available for supply increase/offtake reduction as part of a portfolio managed by National Grid Gas.

Existing service providers, being storage-based, can offer the following types of tender:

Operating Margins Capacity Arrangements (where National Grid NTS will hold Operating Margins Capacity in Operating Margins Facilities, and may input by injection gas into, hold gas in, and withdraw gas from such Operating Margins Facilities,); and

Operating Margins Services from LNG Importation Terminals with storage (where Users will hold Operating Margins Capacity in Operating Margins Facilities, and may input (by unloading of sea-going vessels) gas into, hold gas in and withdraw gas from such Operating Margins Facilities, for delivery to the NTS in such quantities and at such times as National Grid Gas and the User in question may agree).

National Grid Gas requests tenders for one year, for services starting on 1st May 2012.

An offer for OM service provision under (5) above would provide National Grid Gas with a direct alternative to OM service provision from storage, whilst providing flexibility for the service provider to deliver from a portfolio of supply and/or demand sources; the exact combination of which could be decided on at the time of the OM utilisation. National Grid Gas envisages that such portfolio-based OM service provision would allow providers to be better able to offer a guaranteed turn-down rate based on a proportion of the portfolio's combined supply/offtake capability.

An offer for OM service provision under (6) above would provide National Grid Gas with access to a supply increase or offtake reduction at a site when it is

available. The ability of National Grid Gas to accept such an offer would be linked to the receipt of a number of other offers of a similar type from other providers, such that they could be amalgamated by National Grid Gas to form a 'pseudo-portfolio' of providers similar to that offered under (5) above.

New service providers, being based on supply increase or offtake reduction, can offer the following types of tender:

Operating Margins Gas Delivery Arrangements (where Users will increase the delivery of gas into the NTS or reduce or delay the offtake of its nominated quantity of gas from the NTS in such quantities and at such times as National Grid NTS and the User in question may agree).

National Grid Gas requests tenders for one year, for services starting on 1st May 2012.

5. Overview of Tender and Contracting Process

5.1 Operating Margins Tenders

All Operating Margins Tenders must be submitted not later than 17:00 hours on Friday 03rd February 2012 (“Market Day”).

Please note that tenderers will have the right to withdraw tenders up to the point that they are *accepted* and contractual terms have been agreed and signed.

The detailed requirements and guidance in respect of the completion and submission of Operating Margins Tenders can be found in Sections 7 & 8 of this Explanation and Tender Guidance Document.

5.2 Acceptance and Rejection of Operating Margins Tenders

After Market Day, National Grid Gas will assess all Operating Margins Tenders which it receives, applying the assessment principles set out in Section 9 of this document. National Grid Gas may either accept or reject an Operating Margins Tender by issuing an Operating Margins Tender Acceptance or Operating Margins Tender Rejection. Where a tenderer permits National Grid Gas to accept only some of the quantity tendered in a Operating Margins Tender, then National Grid Gas may issue a Operating Margins Tender Acceptance in respect of the successful quantity and a Operating Margins Tender Rejection in respect of the quantity which National Grid Gas rejects.

National Grid Gas will issue Operating Margins Tender Acceptances and Rejections in respect of this tender round by 17:00 hours on Friday 24th February 2012.

5.3 Formation of an Operating Margins Contract

Where National Grid Gas receives a Storage Tender submitted under the OM Gas Storage Agreement terms published by National Grid Gas without amendment and which accurately reflects the terms of the Tender, this acceptance will be subject to contract dependant upon agreement of the OM Gas Storage Agreement including Schedules. In all cases, the Tenderer and National Grid Gas shall use reasonable endeavours to agree the terms and conditions prior to notification of tender outcome on 24th February 2012.

Where National Grid Gas receives a Storage Tender accompanied by amended or alternative terms and conditions then the Tenderer and National Grid Gas shall use reasonable endeavours to agree the terms and conditions prior to notification of tender outcome on 24th February 2012. Failure to agree terms by this date will result in rejection of the tender.

Where National Grid Gas receives a Delivery Service tender accompanied by the Gas Operating Margins Delivery Service Agreement then the Tenderer

and National Grid Gas shall use reasonable endeavours to agree the terms and conditions prior to notification of tender outcome on 24th February 2012. Failure to agree terms by this date will result in rejection of the tender.

Where National Grid receives a Delivery Service tender accompanied by amended or alternative terms and conditions the Tenderer and National Grid Gas shall use reasonable endeavours to agree the terms and conditions prior to notification of tender outcome on 24th February 2012. Failure to agree terms by this date will result in rejection of the tender.

6. Mandatory Requirements of the Tender Process

6.1 Capacity Tenders

Each Operating Margins (OM) Tender must be in respect of one Facility (or portfolio of facilities) that is listed as such in Tender Sheet 2 of the relevant tender pack.

Each OM Tender must be in respect of a quantity of space of at least **6,000,000kWh (equivalent to 0.5 GWh per hour deliverability for 12 hours)** from a single storage facility, LNG Importation Facility with Storage or portfolio of facilities.

It is a requirement that the service proposed in any Tender Offer must feature:

1. The minimum availability threshold across the summer and winter periods;

Availability	Summer period minimum threshold	Winter period Minimum threshold
	May - Sept	Oct - Apr
All Sites	Min 1836 hrs (50%) out of a Max 3672 hrs	Min 4579 hrs (90%) out of a Max 5088 hrs

2. The ability to access unused deliverability (note, primary access rights are not necessary for an OM service);
3. The quantity of minimum deliverability that would be available to National Grid Gas at the facility in question when other users in the facility are not utilising any part of the deliverability. Where a facility's ability to deliver gas is impacted by certain operational circumstances, such as the quantity of gas in store, then this should be taken into account;
4. The ability to accept Offer(s) such that the Operating Margins gas held in store from the relevant facility could be physically delivered (as per 3 above) over an interval of not more than 24 hours, assuming other users at the facility are not utilising their deliverability (i.e. National Grid Gas must be able to accept Offer(s) such that total space held for OM is not greater than the daily physical deliverability of the facility). National Grid Gas retains the right, however, to accept offers for Operating Margins gas held in store from that could be physically delivered over a longer period;
5. A physical service on the National Transmission System (NTS) on an hourly basis (i.e. when an OM nomination is made there must be an hourly physical flow change at the NTS level of the quantity requested

in the nomination that otherwise would not have occurred if the OM nomination had not been made); and

6. The ability to provide a response time of no greater than 2 hours (inclusive of a Standby Arrangement if offered) from the first hour following an instruction.

6.2 Gas Delivery Tenders

Each Operating Margins (OM) Tender may be in respect of one Facility or a portfolio containing a number of facilities, so long as they are listed as such in the Tenderer's Tender Pack 2 OM Tender Sheet 2.

Each OM Tender must be in respect of a quantity of supply increase, offtake reduction and/or withdrawal of gas from storage of at least **0.5 GWh per hour from either a single Facility or a portfolio of facilities and be sustainable for at least 12 hours.**

It is a requirement that the service proposed in any Tender Offer must feature:

1. The minimum availability threshold across each defined period as set out below;

Availability	Summer period minimum threshold	Winter period Minimum threshold
	May - Sept	Oct - Apr
All Sites	Min 1836 hrs (50%) out of a Max 3672 hrs	Min 4579 hrs (90%) out of a Max 5088 hrs

2. A physical service on the National Transmission System (NTS) on an hourly basis (i.e. when an OM nomination is made there must be an hourly physical flow change at the NTS level of the quantity requested in the nomination and an associated trade nomination* that otherwise would not have occurred if the OM nomination had not been made); and
3. The ability to provide a response time of no greater than 2 hours (Inclusive of a Standby Arrangement if offered) from the first hour following an instruction.

* Trade nomination as set out in the Operating Margins Gas Delivery Service Agreement Section 5

6.3 General to Tenders

The Tenderer must complete all mandatory fields on the tender sheets, and must enter only 1 item of data per field.

To allow flexibility in the formulation of tenders, up to three sets of tender sheets may be submitted in respect of each Facility or portfolio of facilities for a service period.

Each OM Tender must either be accompanied by National Grid Gas's preferred OM Gas Storage Agreement or Gas OM Delivery Service Agreement or Operating Margins Services Agreement from LNG Importation Terminal or specify alternative terms and conditions to be considered applicable to the service.

The Tenderer must provide (upon request) satisfactory evidence to support all tendered parameters.

7. Completion and Submission of OM Tenders

Tenders must be fully compliant with the mandatory requirements of Operating Margins set out in Section 6 of this Explanation and Tender Guidance Document;

Set out on the relevant tender sheets contained within Tender Packs 1 and 2 in accordance with Section 8 of this Explanation and Tender Guidance Document;

Returned by post or by hand (not facsimile or email) to:

Chris Cortopassi
Network Operations
National Grid Gas plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

To be received not later than **17:00 hours** on Market Day **Friday 03rd February 2012 ('Market Day')**.

Envelopes containing OM Tenders **must** be clearly marked on the top left hand corner '**OM Tender**'.

If, in the sole judgement of National Grid Gas, a tenderer has failed to submit a compliant OM Tender, National Grid reserves the right to:-

1. Accept the OM Tender in question; or
2. Disqualify the OM Tender in question; and/or
3. Take any other action it deems appropriate in the circumstances including requesting the tenderer to amend any parameters other than prices or resubmit a non-compliant OM Tender, so that it is made compliant.

National Grid Gas's decision as to whether or not an OM Tender is compliant shall be final, and the tenderer concerned may be notified of such decision without prior consultation or explanation.

No costs or expenses incurred in the course of preparing and/or submitting an OM Tender will be paid for by National Grid Gas.

If any further information is required to assist with the preparation of an OM Tender, the tenderer should request this information from National Grid Gas. National Grid Gas may consider it necessary to copy any further information given in response to specific enquiries to all other tenderers. No further information will be issued by National Grid Gas after Thursday 22nd December 2011.

OM Tenders will be opened by an evaluation panel no earlier than **09:00 hours** on **Monday 6th February 2012**.

8. Guidance Notes for Completion of Tender Sheets

The two tender packs published alongside this document are as follows:

1. Tender Pack 1: 2012 Tender for Operating Margins Capacity Arrangements
2. Tender Pack 2: 2012 Tender for Operating Margins Gas Delivery Arrangements

If you are unsure which tender pack you should be completing as part of your tender submission please refer to the Gas Operating Margins Tender User Flowchart published on our website;

[http://www.nationalgrid.com/uk/Gas/OperationalInfo/GasOperatingMargins/
www.gasgovernance.co.uk/OpsMargins](http://www.nationalgrid.com/uk/Gas/OperationalInfo/GasOperatingMargins/www.gasgovernance.co.uk/OpsMargins)

Each tender pack contains three tender sheets:

Tender Sheet 1 – Tenderer Details, Terms of Tender Submission

Tender Sheet 2 – Facility Details, Deliverability & Availability, Charges & Capacity, limitations

Tender Sheet 3 – Tenderer Signature and Acknowledgment

Tender Pack 1 (Capacity Arrangements) allows for the submission of 'tranches' of storage capacity.

Tenderers offering either Capacity or Gas Delivery tenders may submit up to three separate tenders per facility or portfolio of facilities.

Please note: National Grid Gas will supply electronic copies of tender sheets in Microsoft Word format via email, on request. Alternatively, tenderers may submit OM Tenders on copies of the relevant tender sheets taken from the National Grid Gas website.

TENDER SHEET 1

Tender Sheet 1 must be completed by all tenderers, in respect of each tendered Facility or service offered.

Part 1: Tenderer Details

- 1 Please insert the Tenderer's company name in the space provided.
- 2 For the purposes of receiving Operating Margins Tender Acceptance Notices and Operating Margins Tender Rejection Notices, the Tenderer shall specify the representative for whose attention such Notices are to be marked.
- 3 Please insert the Representative's Address in respect of the facility in the space provided.
- 4 For the purposes of receiving tender queries, the Tenderer shall specify the representative's telephone number in the space provided.
- 5 For the purposes of receiving Operating Margins Tender Acceptance Notices and Operating Margins Tender Rejection Notices, the Tenderer shall specify the representative's facsimile number in the space provided.
- 6 For the purposes of receiving communications, the Tenderer shall specify the representative's email address in the space provided.

Part 2: Terms of Tender Submission

- 7 If the Tenderer wishes to complete the tender sheets, however wishes to propose alternative terms - for example their own Standard Contract Terms or a variation of National Grid's published terms (subject to agreement by both parties) please indicate this by ticking this option for consideration as part of this tender process and submit the relevant terms for consideration with the tender sheets.
Or
- 8 If the Tenderer wishes to complete the tender sheets and agrees to the preferred OM Gas Storage Agreement (OM capacity tenders only) or the Gas Operating Margins Delivery Service Agreement (OM deliverability tenders only) please indicate this by ticking this option.
Or
- 9 If the Tenderer wishes to complete the tender sheets and agrees to the preferred Operating Margins Services Agreement from LNG Importation Terminal (LNG Importation Terminals only) please indicate this by ticking this option.

TENDER SHEET 2

Tender Sheet 2 **must** be completed by all tenderers, in respect of each tendered Facility or portfolio of Facilities;

Service	Category of Service	Parts to be submitted
Gas Capacity	Storage Facility Operators	1, 2 & 3
	Primary capacity holders at storage facilities	1, 2 & 3
Gas Delivery	Supply Increase/Offtake Reduction	1, 2, 3, 4, 5 & 6
	LNG Importation Terminal with Storage	1, 2, 3, 4, 5, 6 & 7

Part 1: Facility Details

- 10 Facility Name** Name of facility, or name of portfolio being offered as part of the tender submission.
- 11 Location of Facility** Full address including postcode. If the service offered is an aggregate position made up from more than one site please list each site individually.
- 12 Category of service provision** Please select or describe the method of service offered. For example:
- Storage
 - Primary Capacity Holder of Storage
 - LNG Importation with Storage
 - Primary Capacity Holder of LNG Importation with Storage
 - Supply Increase / Offtake Reduction
 - Portfolio of Supply Increase/Offtake reduction.

Any additional information relating to the mode of service provision that providers may wish to disclose (for example the use of alternative backup fuel rather than NTS offtake) can also be entered here.

Part 2: Deliverability & Availability

- 13 The quantity of minimum deliverability available to National Grid Gas** The quantity of minimum deliverability (in kWh per day) that would be available to National Grid Gas at the facility in question when other users in the facility are not utilising any part of the deliverability or in the case of a supply increase/offtake reduction service, the rate at which the offered supply increase or offtake reduction will change. Where a facility's ability to deliver gas is impacted by certain operational

circumstances, such as the quantity of gas in store or load factor, then this then this should be taken into account. This parameter is important, as National Grid Gas needs to understand the limitations of the facility, for example to deliver gas in a gas supply emergency where the OM gas may be the only gas left in store. A rate of supply increase/offtake reduction as seen at NTS level, is defined by a Minimum Delivery Rate (**minimum 0.5GWh/hour** – which can be aggregated) and a Maximum Delivery Rate. The provider can specify whether it will be permissible (where available) to nominate delivery greater than the tendered Minimum Delivery Rate.

14 The quantity of maximum deliverability available to National Grid Gas (Optional)

This parameter is optional and useful in understanding that at points during the tendered period additional deliverability is accessible dependant upon the facility or service offered. The tender assessment will be based on the minimum deliverability available; however in certain circumstances National Grid Gas recognise that the actual level of deliverability can be much higher.

15 Withdrawal/Delivery Response Time

The time taken from receipt of the withdrawal/delivery nomination before provision of the withdrawal/delivery on the hour. Please note this should be no greater than 2 hours from the next hour bar following receipt of a nomination. So for example if a nomination is sent at 15:01 then the nomination should be met by no later than 18:00. A longer lead time can be submitted if the tenderer also provides a standby cost – see points 23 and 24 – ‘Standby charges’ and following a call to standby is available within 2 hours from the next hour bar following receipt of a nomination.

16 Periods of unavailability

Dates of planned maintenance outages across the periods tendered. National Grid can then take an informed view across all tenders received to assess overall availability across the period. Ideally these periods will be less than 45 days, these could be spread across a number of outages. All these dates must be provided where available.

The following section is mainly in relation to **CAPACITY tenders (Tender Pack 1)** – if completing a **GAS DELIVERY tender sheet please refer to Part 3 (point 23 & 24), 4, 5, 6 & 7 of guidance document below.**

Part 3: Charges & Capacity

- | | | |
|----|--|---|
| 17 | Injection Charges: (Optional) | The commodity charges (in pence per kWh) (if any) payable in respect of the associated injection of gas into the facility. |
| 18 | Injection Charges tick box option | If the tender submission is accompanied by proposed terms for the contract and contains this element please tick the box and leave no.17 blank. |
| 19 | Withdrawal Charges: (Optional) | The charges (in pence per kWh) (if any) payable in respect of withdrawal of gas from the facility. |
| 20 | Withdrawal Charges tick box option | If the tender submission is accompanied by proposed terms for the contract and contains this element please tick the box and leave no.19 blank. |
| 21 | Overrun Charges : (Optional) | The charges (in pence per kWh) (if any) payable in respect of access to the deliverability above the contracted values. |
| 22 | Overrun Charges tick box option | If the tender submission is accompanied by proposed terms for the contract and contains this element please tick the box and leave no.21 blank. |
| 23 | Standby Charges : (Optional) | The charges associated in bringing a facility to within the minimum acceptable response time. |
| 24 | Standby Charges tick box option | If the tender submission is accompanied by proposed terms for the contract and contains this element please tick the box and leave no.23 blank. |
| 25 | Capacity Procurement Tender Offer Number | Each tranche offered is assigned a tender offer number. Each tenderer can offer up to 10 tranches per tender. <i>Tranches will be accepted in numerical order.</i> |
| 26 | The quantity of storage space (in kWh) offered | The quantity of storage space (in kWh) offered for each tender offer. The aggregate quantity of offers must equal or exceed 6,000,000 kWh. |
| 27 | The quantity of injectability available to National Grid Gas | The quantity of associated injection rights (in kWh per day). |
| 28 | Capacity Charge - Price in pence per kWh per annum | The capacity charge (in pence per kWh) payable in respect of the storage space offered. |
| 29 | Please tick if the Capacity Procurement Tender Offer may <u>only</u> be accepted for the full amount of the Tendered Quantity | This option allows the tenderer to stipulate if only the full tranche can be accepted by National Grid Gas as opposed to a partial sum of the tranche quantity tendered. |

The following section is in relation to GAS DELIVERY tenders (Tender Pack 2) only – if completing a CAPACITY tender sheet please refer to Part 3 of tender guidance document above.

Part 4: Delivery Charge

- | | | |
|-----------|--|--|
| 30 | Fixed Delivery Charge | Fixed Delivery Charge Payable. If a figure is entered here please leave Indexed Delivery Charge and Indexed Delivery Charge Cap blank. |
| 31 | Indexed Delivery Charge | National Grid Gas recognises that utilisation of OM from supply/demand side sources may have downstream impacts that may be difficult and/or inefficient to factor into a Fixed Delivery Charge. Accordingly, National Grid Gas will consider linking service utilisation to known indices to manage risk as efficiently as possible. If you would like to pursue this option, please supply details of the indexation methodology that would be applicable under this tender offer. The Indexed Delivery Charge could be linked to electricity price references (e.g. day ahead index, System Buy Price) or gas price references (e.g. System Average Price). If this parameter is used please leave the Fixed Delivery Charge blank. For more information of Indexation Methodologies please refer to the Gas Indexation Methodologies Principles Document on our Gas Operating Margins website. |
| 32 | Indexed Delivery Charge Liability Cap | If selecting an Indexed Delivery Charge please consider mechanisms you would be willing to use to cap liability (for example switching from high volatility indices to lower volatility indices as utilisation time progresses, or by proposing a price cap. If a figure is entered here please leave Fixed Delivery Charge blank. This parameter is useful in assessment to determine the limit of liability on the costs of utilisation. |

Part 5: Service Fee

- | | | |
|-----------|---------------------------|--|
| 33 | Annual Service Fee | The annual service fee in £s required to provide the service in 2012/2013. |
|-----------|---------------------------|--|

Part 6: Utilisation Limitations & Recovery Period (for Gas Delivery tenders only)

- | | | |
|-----------|--|--|
| 34 | Maximum duration per instruction | A maximum duration (in hours) per instruction (the Maximum Delivery Duration). The service can be offered based on preference for 12 hours or 24 hours. |
| 35 | Minimum duration per instruction (Optional) | A minimum duration (in hours) per instruction that delivery should be maintained and paid should National Grid Gas instruct the service. |
| 36 | Maximum number of utilisations per month (Optional) | A maximum number of utilisations per month (the Monthly Utilisation Limit) |
| 37 | Maximum number of utilisations per year (Optional) | A maximum number of utilisations per year (the Annual Utilisation Limit) |
| 38 | Recovery Period following a utilisation | A recovery time after each utilisation (the Recovery Period). This means the services cannot be utilised by National Grid Gas until the recovery period has expired. |

Part 7: Anticipated Boil-off from Start Date (LNG Importation Facilities with Storage only)

- | | | |
|-----------|-----------------------------|--|
| 39 | Anticipated Boil-Off | The estimated average Minimum Delivery of the Contracting Shipper and each Deriving Shipper for each Day in respect of the period from the Start Date until the first Day of the next occurring month. Please refer to the OM Services Agreement Clause 5.1 and Schedule 1 Clause 2. |
|-----------|-----------------------------|--|

**OM TENDER
TENDER SHEET 3**

Tender Sheet 3 must be completed by all tenderers.

Part 1 Tenderer Signature and Acknowledgment

This tender sheet must be completed, signed and dated by an authorised signatory on behalf of the prospective Operating Margins Tenderer. Failure to complete this tender sheet will invalidate the OM Tender.

9. Assessment of OM Tenders and Selection Factors

After the OM Tender submission deadline (“Market Day”), all OM Tenders received will be opened, examined for completeness, and logged by an evaluation panel.

National Grid Gas reserves the right to deal with late submissions in a manner which it feels most appropriate taking account of any particular circumstances. In general, any late submissions will not be accepted.

Any submission that is regarded as non-compliant or unclear may be referred by National Grid Gas back to the tenderer for clarification. If necessary, technical parameters may be adjusted by a tenderer to ensure compliance, but price information may not be changed.

Tender Offers will be assessed on the following criteria, as well as the applicable terms and conditions and compliance with the requirements of this notice:

1. The facility has to meet the minimum availability threshold across each defined period as set out below;

Availability	Summer period minimum threshold	Winter period Minimum threshold
	May - Sept	Oct - Apr
All Sites	Min 1836 hrs (50%) out of a Max 3672 hrs	Min 4579 hrs (90%) out of a Max 5088 hrs

2. The ability to access unused deliverability.
3. The quantity of minimum deliverability that would be available to National Grid Gas at the facility in question when other users in the facility are not utilising any part of the deliverability.
4. The ability to deliver a physical service on the National Transmission System (NTS) on an hourly basis.
5. The ability to provide a maximum response time of 2 hours (inclusive of a standby arrangement if offered) any time during day or night within periods of availability.
6. Location of the facility on the National Transmission System (NTS)
7. The ease with which the service can be called upon to deliver against an OM event (generally there will be a trade off between the magnitude of individual service offers and the number of calls the gas control room would need to make to providers in order to manage an OM event)

In assessing the benefit of acceptance of an OM tender, the value and costs of that tender are considered.

The forecast cost of an accepted OM tender will include:

- the availability/capacity charge;
- the quantity of availability/storage space/deliverability offered;
- the utilisation fee;
- delivery fees; and
- any associated commodity charges/standby charges.

Under no circumstances will National Grid Gas be legally bound to accept any (or the lowest) Tender Offer made by any party, nor to reimburse any cost or expenditure whatsoever or howsoever incurred by any party in responding to this notice or in negotiating the provision of any service.

10. Information and Links

A number of useful documents are available on the Operating Margins website including:

- Tender Documentation
- The Operating Margins Statement that is published each year includes the requirements for location, volumes and deliverability
- The Tender Information Report including the number and volume of tenders submitted and accepted through the tender
- The Gas Indexation Methodologies Principles Document;

<http://www.nationalgrid.com/uk/Gas/OperationalInfo/GasOperatingMargins>

Information on the current incentives in place for National Grid, our performance under these incentives and consultations on potential future incentives can be found in the following section of our website. In particular, please note the market review within the second SO incentives consultation this summer:

<http://www.nationalgrid.com/uk/Gas/soincentives>

Details regarding quantities of OM space we have historically procured are available within the Procurement Guidelines reports that can be found on the link below:

<http://www.nationalgrid.com/uk/Gas/OperationalInfo/operationaldocuments/ProcurementSystemManagementServicesStatementsReports/>