

Reference No: CPT2/07

**2007/08 OPERATING MARGINS STORAGE CAPACITY
PROCUREMENT
TENDER INVITATION NOTICE**

Introduction

1. Owners of or primary capacity rights holders within short and medium range storage facilities are invited to submit Tender Offers in accordance with, and subject to, this Capacity Procurement Tender Invitation Notice and the Capacity Procurement Tender Rules. Each Tender Offer shall be for the sale by the Tendering User to National Grid Gas plc ("National Grid Gas") of storage space in a short or medium range storage facility that is required to satisfy some of its Operating Margins requirements pursuant to Section K of the Uniform Network Code.
2. National Grid Gas purchases Operating Margins ("OM") on an annual basis in line with both the requirements of section K of the UNC and obligations described in the National Grid Gas Safety Case ("the Safety Case"). The Safety Case places an obligation on National Grid Gas to maintain OM at levels and locations it determines throughout the year. Typically OM will be used to maintain NTS system pressures in the period before other balancing measures become effective. Primarily Operating Margins will be used in the immediate period following operational stresses such as a supplier alert as a result of a failure offshore, unanticipated demand changes or unexpected pipeline and/or plant unavailability. A quantity of OM is also kept in reserve to manage the orderly rundown of the system.

Tender Duration

3. Each Tender Offer shall offer the sale of storage space in a short or medium range storage facility for the period **1 May 2007 (06:00) to 1 May 2008 (05:59)**.
4. National Grid Gas does not propose to procure firm deliverability pursuant to this tender, but would instead need access to unused deliverability when other users in the facility (if any) are not utilising any part of the deliverability.

Tender Offer Size

5. Each Tender Offer shall be for a minimum of **25,000,000kWh** of storage space and the amount offered shall be expressed in whole tranches of 1,000,000kWh each
6. The maximum aggregate quantity of storage capacity which National Grid Gas anticipates it will require pursuant to this tender is **210,000,000 kWh**. For the avoidance of doubt, National Grid Gas shall not be obliged to accept Tender Offers in aggregate for the full amount of the above quantity, nor shall it be prevented from accepting Capacity

Procurement Tender Offers in aggregate for amounts exceeding such quantity. In addition, National Grid Gas shall be entitled to accept part only of the storage space (and associated injection rights) offered by any owner/primary capacity rights holder unless specified otherwise in their Tender Offer.

Technical Requirements

7. It is a requirement that the service proposed in any Tender Offer must feature:
 - (a) high levels of reliability and deliverability, the deliverability available from the relevant facility shall be such that the cumulative Operating Margins gas held in store can be delivered over an interval of not more than 24 hours; and
 - (b) provide a maximum response time of 2 hours.

8. Each Tender Offer shall specify:
 - a. Location of the facility;
 - b. The quantity of storage space (in kWh) offered;
 - c. The quantity of associated injection (in kWh per day) and periods of availability;
 - d. The quantity of 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. 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 clearly stated. The provider is reminded of the requirements set out in section 7;
 - e. A forecast percentage availability of when deliverability would be available to National Grid Gas over the period in question, i.e. when other users are not expected to be utilising the deliverability for their purposes, excluding periods of unavailability as defined specified in 8 (i).
 - f. The capacity charge (in pence per kWh) payable in respect of the storage space offered;
 - g. The commodity charge (in pence per kWh) (if any) payable in respect of the associated injection and deliverability rights available (and applicable over-run charges);
 - h. The charge (in pence per kWh) (if any) payable in respect of access to the deliverability (such as interruptible charges and relevant over-run charges);
 - i. Periods of unavailability (days and hours);
 - j. The terms and conditions that will apply to the holding and use of the storage capacity offered (including the injection and withdrawal rights).

The prices specified pursuant to the above shall be to no more than four decimal places.

A copy of the standard storage services contract terms shall be provided with each Tender Offer.

9. Tender Offers must be made in writing by completing in full the Capacity Procurement Tender Offer Notice with the above Reference Number (or a direct copy thereof).

Assessment Criteria

10. Tender Offers will be assessed on the criteria set out in sections 7 and 8, applicable terms and conditions and compliance with the requirements of this notice. The assessment may also take into account the latest published information such as prices that may become available at other storage facilities. 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.

Timescales and Contact Information

11. Tender Offers must be received by National Grid Gas before **16:00 hours** on **23rd February 2007**.
12. Tender Offers must be submitted to National Grid Gas by facsimile to facsimile number 01926 656 613, marked for the attention of Sam Wither or by email to: Sam.Wither@uk.ngrid.com.
13. If National Grid Gas accepts a Tender Offer, whether in whole or in part, it shall use its reasonable endeavours to send an acceptance of such offer to the owner/primary capacity rights holder no later than 09:00 hours on 9th March 2007. A summary of the results of this tender are to be published on the National Grid Gas Information Exchange web-site.
14. For more information on Operating Margins (and National Grid Gas's Operating Margins requirements for 2007/8) please refer to the Operating Margins statement at the following web-address: <http://www.nationalgrid.com/uk/Gas/Data/News/>
15. Any questions regarding this notice or general enquiries in relation to the provision of Operating Margin services may be made prior to the closing time for receipt of offers between 09:00 hours and 17:00 hours Monday to Friday (bank holidays excepted) by telephone to Sam Wither on 01926 656 492 or Chris Plumb on 01926 655 174 or email christian.plumb@uk.ngrid.com
16. Copies of the Capacity Procurement Tender Rules can be obtained by contacting Sam Wither on 01926 656 492.