

Reference No: CPT3/06

2006/07 OPERATING MARGINS STORAGE CAPACITY
PROCUREMENT
TENDER INVITATION NOTICE

1. Owners of or primary capacity rights holders within 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 of storage space in a 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 following the declaration of a Gas Supply Emergency.
3. Each Tender Offer shall offer the sale of storage space in a medium range storage facility for the period **1 May 2006 (06:00) to 1 May 2007 (05:59)**.
4. National Grid Gas does not propose to procure firm deliverability pursuant to this tender, but would instead rely on interruptible deliverability being available to withdraw its gas from storage as and when required.
5. 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.
6. 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
7. Each Tender Offer shall specify:

- a. The quantity of storage space (in kWh) offered;
- b. The quantity of associated injection (in kWh per day) and periods of availability;
- c. The maximum quantity of deliverability (in kWh per day) that would be available to National Grid Gas on an interruptible basis at the facility in question;
- d. The capacity charge (in pence per kWh) payable in respect of the storage space offered;
- e. The commodity charge (in pence per kWh) (if any) payable in respect of the associated injection rights available (and applicable over-run charges);
- f. The charge (in pence per kWh) (if any) payable in respect of interruptible deliverability (as well as relevant over-run charges);
- g. Periods of unavailability (days and hours);
- h. 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.

8. The maximum aggregate quantity of storage capacity which National Grid Gas anticipates it will require pursuant to this tender is **217,000,000 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 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.
9. Tender Offers must be received by National Grid Gas between **09:00** and **16:00 hours** on **15th March 2006**.
10. 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).
11. Tender Offers will be assessed on the basis of the charges offered, applicable terms and conditions and compliance with the requirements of this notice. However, 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.
12. 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 22nd March 2006. A summary of the results of this tender are to be published on the National Grid Gas Information Exchange website.

13. Tender Offers must be submitted to National Grid Gas by facsimile to facsimile number 01926 656 613, marked for the attention of Nicholas Gardner or by email to: Nicholas.gardner@uk.ngrid.com.
14. For more information on Operating Margins (and National Grid Gas's Operating Margins requirements for 2006/7) 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 Nicholas Gardner on 01926 653 450 or Mike Wassell on 01926 654167 or email Mike.J.Wassell@uk.ngrid.com
16. Copies of the Capacity Procurement Tender Rules can be obtained by contacting Nicholas Gardner on 01926 653 450.