

**Modification 0605S Amendments to TPD Section K - Additional Methods to Procure and Dispose of Operating Margins Gas**

**Text Commentary**

<b>Paragraph</b>	<b>Explanation</b>
Deleted paragraph 3.3.7	Deleting this paragraph means that National Grid NTS is no longer required to purchase Operating Margins Gas through a tender. National Grid NTS may choose to run a tender, with the additional flexibility to purchase gas on a trading exchange, over-the-counter (OTC) or brokered markets.
Existing paragraph 3.3.8 renumbered as 3.3.7	The reference to existing 3.3.7 is removed as the requirement to tender under existing 3.3.7 will no longer exist.
Paragraph 3.7.2	The existing language requires NG to conduct a tender before it disposes of Operating Margins gas. The amended wording requires that, consistent with its Licence obligations, NG disposes of Operating Margins Gas in the way in which it considers most economic. As is the case with purchase, National Grid NTS will then have the flexibility to sell on an exchange, or over-the-counter. The amended language also allows National Grid NTS to procure or dispose of Operating Margins Gas before the end of the Storage Year, to reflect the normal practise of making the disposals before the capacity rights reduce or expire.
Amend the remainder of existing paragraph 3.7.2 as 3.7.3	<p>The new 3.7.3 explains that, where National Grid NTS considers a tender is most economic, the provisions that follow will apply to that tender.</p> <p>Paragraphs 3.7.2 (a) to (f) have been renumbered as 3.7.3 (a) to (f).</p> <p>New 3.7.3 (g) provides that National Grid NTS need not accept the highest or any tender and mirrors paragraph 3.3.6(c), which applies to buy tenders. It replaces existing (g) which required that National Grid NTS accepts the highest priced tender(s) first.</p> <p>New 3.7.3 (h) provides that any gas unsold following a tender may be sold by other means. It replaces existing (h) which dealt with how tenders would be accepted but was unnecessarily prescriptive.</p>
Existing paragraph 3.7.3 renumbered as 3.7.4	No text change.
Existing paragraph 3.7.4 and new 3.7.5	Existing 3.7.4 is deleted and is, in part, dealt with in new 3.7.3 (h) – see above. The cost recovery element of existing 3.7.4 is dealt with in a new

	3.7.5.
Existing paragraph 3.7.5 renumbered as 3.7.6	This is amended to reflect that fact that Residual Gas Transfers may be made otherwise than by tender.
Existing paragraph 3.7.6 renumbered as 3.7.7	No text change.
New paragraph 3.10	This creates a liability for National Grid NTS if it enters into an Erroneous Trade.
New paragraph 3.10.1	This defines an Erroneous Trade and requires an adjustment if there is an Erroneous Trade.
New paragraph 3.10.2	If there is an Erroneous Trade this requires the Operating Margins WACOG to be calculated using the costs that would have arisen had the intended trade (i.e. without the error) been struck (and not actual costs).
New paragraph 3.10.3	This caps National Grid NTS's increased liability arising from an adjustment to the Operating Margins WACOG.
New paragraph 3.10.4	If there is an Erroneous Trade this requires the Closing Margins Adjustment Charges to be calculated using the proceeds of disposal that would have arisen had the intended trade (i.e. without the error) been struck and not actual proceeds.
New paragraph 3.10.5	This caps National Grid NTS's increased liability arising from an adjustment to the Closing Margins Adjustment Charge.
New paragraph 3.10.6	This creates a contractual obligation to mitigate the effect of an Erroneous Trade, whether the error results in a benefit or dis-benefit.
New paragraph 3.10.7	This obliges National Grid NTS to report Erroneous Trades
New paragraph 3.10.8	Whilst National Grid NTS is required to report an Erroneous Trades however minor, this reflects the fact that no adjustment is made if the thresholds in 3.10.1 are not met.
Amend existing paragraph 4.4.2	This is to reflect the fact that gas may be sold other than by tender.