

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT**SECTION K – OPERATING MARGINS****1 GENERAL****1.1 Introduction**

1.1.1 ~~National Grid NTS~~[National Gas Transmission](#) shall be entitled:

- (a) to enter into arrangements ("**Operating Margins Capacity Arrangements**") pursuant to which ~~National Grid NTS~~[National Gas Transmission](#) will hold Operating Margins Capacity in Operating Margins Facilities, and may input (whether by injection, unloading of sea-going vessels or otherwise) gas into, hold gas in, and withdraw gas from such Operating Margins Facilities; and
- (b) to enter into arrangements ("**Operating Margins Gas Delivery Arrangements**") pursuant to which:
 - (i) Users will hold Operating Margins Capacity in Operating Margins Facilities, and may input (whether by injection, unloading of sea-going vessels or otherwise) 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 NTS~~[National Gas Transmission](#) and the User in question may agree; and/or
 - (ii) 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~~[National Gas Transmission](#) and the User in question may agree

in each case subject to and in accordance with this Section K, for the purpose of meeting the requirements ("**Operating Margins Requirements**") set out in paragraph 2.1.

1.1.2 For the purposes of the Code:

- (a) anything done or to be done by ~~National Grid NTS~~[National Gas Transmission](#) pursuant to any provision of this Section K for the purposes of meeting or otherwise in connection with Operating Margins Requirements is done or to be done for "**Operating Margins Purposes**";
- (b) references to "**Operating Margins**" are to the Operating Margins Capacity Arrangements and gas which ~~National Grid NTS~~[National Gas Transmission](#) holds in storage at Operating Margins Facilities for Operating Margins Purposes, or to the Operating Margins Gas Delivery Arrangements and the gas that ~~National Grid Gas NTS~~[National Gas Transmission](#) may utilise pursuant to such Operating Margins Gas Delivery Arrangements at Operating Margins Facilities for Operating Margins Purposes;

- (c) a reference to the utilisation of Operating Margins is to:
 - (i) the withdrawal of gas from an Operating Margins Facility in which ~~National Grid NTS~~ [National Gas Transmission](#) holds Operating Margins pursuant to any Operating Margins Capacity Arrangement; and/or
 - (ii) the delivery of gas by Users to the NTS from an Operating Margins Facility pursuant to any Operating Margins Gas Delivery Arrangements; and/or
 - (iii) the reduction or delay in the offtake of gas by Users to an Operating Margins Facility from the NTS pursuant to any Operating Margins Gas Delivery Arrangements;
- (d) references to **“Operating Margins Gas”** are references to:
 - (i) the gas which ~~National Grid NTS~~ [National Gas Transmission](#) holds in storage at Operating Margins Facilities pursuant to Operating Margins Capacity Arrangements;
 - (ii) the gas whether in storage or otherwise which ~~National Grid NTS~~ [National Gas Transmission](#) may utilise pursuant to Operating Margins Gas Delivery Arrangements;
- (e) references to **“Operating Margins Capacity”** are references to Storage Capacity and LNG Importation Capacity;
- (f) references to **“Operating Margins Facilities”** are references to Storage Facilities, LNG Importation Facilities and other facilities (connected to one or more System Points) which can be utilised by ~~National Grid NTS~~ [National Gas Transmission](#) acting for Operating Margins Purposes through arrangements with Users to provide either the delivery of gas into the NTS or a reduction or delay in the offtake of the nominated quantity of gas from the NTS;
- (g) references to **“Operating Margins Space”** are references to Storage Space and LNG Importation Space;
- (h) references to **“Operating Margins Injectability”** are references to Storage Injectability and LNG Importation Injectability;
- (i) references to **“Operating Margins Deliverability”** are references to Storage Deliverability, LNG Importation Deliverability, Entry Facility Deliverability and Exit Facility Deliverability; where:
 - (i) **“Entry Facility Deliverability”** is the capability of the relevant Operating Margins Facility (as agreed in the relevant Operating Margins Facility Terms) to deliver an increase in the nominated quantity of gas to the NTS, expressed as a rate or a quantity in a given period; and
 - (ii) **“Exit Facility Deliverability”** is the capability of the relevant Operating Margins Facility (as agreed in the relevant Operating Margins Facility Terms) to reduce or delay the offtake of the

nominated quantity of gas from the NTS, expressed as a rate or quantity in a given period;

- (j) references to "**Operating Margins Facility Terms**" are references to Storage Terms, LNG Importation Terms and any other such terms and conditions entered into between ~~National Grid NTS~~ National Gas Transmission and Users for Operating Margins Purposes;
 - (k) references to "**Operating Margins Year**" are references to the period of 12 Months commencing on the date set out in the Operating Margins Statement.
- 1.1.3 Certain costs incurred and/or revenues received by ~~National Grid NTS~~ National Gas Transmission for Operating Margins Purposes will be recovered from or paid to Users in accordance with paragraph 4.
- 1.2 ~~National Grid NTS~~ National Gas Transmission as Storage User or LNG Importation User**
- 1.2.1 Subject to paragraph 1.2.2, ~~National Grid NTS~~ National Gas Transmission shall be entitled to be a Storage User or a LNG Importation User (as the case may be) in respect of Operating Margins Facilities for Operating Margins Purposes, and in particular ~~National Grid NTS~~ National Gas Transmission:
- (a) may apply for and hold Operating Margins Capacity in, and inject and withdraw gas to and from Operating Margins Facilities; and
 - (b) may make Storage Gas Transfers pursuant to the relevant Operating Margins Facility Terms.
- 1.2.2 For the purposes of Section R4, no Constrained Storage Renomination may be made for withdrawal of gas-in-storage held by ~~National Grid NTS~~ National Gas Transmission for Operating Margins Purposes.
- 1.2.3 Not Used.
- 1.2.4 Not Used.
- 1.2.5 References to the amount of Storage Space or LNG Importation Space held by a Relevant System Manager are to the amount held pursuant to the relevant provisions of this Section K.
- 1.3 ~~National Grid NTS~~ National Gas Transmission as NTS User**
- 1.3.1 ~~National Grid NTS~~ National Gas Transmission will be a User for the purposes of the Code in respect of the NTS for Operating Margins Purposes; and in particular ~~National Grid NTS~~ National Gas Transmission:
- (a) may apply for and hold NTS Entry Capacity at System Entry Points (subject to paragraph 1.3.2) and NTS Exit Capacity at Storage Connection Points in accordance with Section B;
 - (b) will make Nominations in accordance with Section C;

- (c) may make Acquiring Trade Nominations in accordance with Section C;
- (d) will pay and receive Balancing Charges in accordance with Section F.

1.3.2 In particular, on any Day on which ~~National Grid NTS~~National Gas Transmission withdraws gas from an Operating Margins Facility for delivery to the Total System (pursuant to Operating Margins Capacity Arrangements) or has gas delivered to it by a third party (pursuant to Operating Margins Gas Delivery Arrangements) for Operating Margins Purposes, ~~National Grid NTS~~National Gas Transmission will (by virtue of the fact that it does not and is not deemed to offtake gas from the Total System and does not make Disposing Trade Nominations) have a Daily Imbalance equal (subject to anything else done by it) to the quantity of gas so withdrawn or delivered, and will receive Daily Imbalance Charges accordingly.

1.3.3 The general provisions of the Code are (as provided in the relevant Section) modified in respect of their application to ~~National Grid NTS~~National Gas Transmission for Operating Margins Purposes as follows:

- (a) Balancing Neutrality Charges and Reconciliation Neutrality Charges are not payable by or to ~~National Grid NTS~~National Gas Transmission for Operating Margins Purposes;
- (b) Initial Input Nominations may be made at any time up to 03:00 hours on the Gas Flow Day.

1.3.4 ~~National Grid NTS~~National Gas Transmission will not take Market Balancing Actions for Operating Margins Purposes.

1.4 DNO User

In this Section K references to Users includes DNO Users unless otherwise expressly stated.

1.5 Relevant System Managers

For the purposes of this Section K, references to a “**Relevant System Manager**” unless otherwise expressly stated shall mean ~~National Grid NTS~~National Gas Transmission acting for Operating Margins Purposes.

1.6 Trader User

In this Section K references to Users exclude Trader Users.

2 OPERATING MARGINS

2.1 Operating Margins Requirements

2.1.1 Operating Margins Requirements are requirements for quantities of gas to be delivered to the NTS or for quantities of gas nominated to be offtaken from the NTS to be reduced or delayed:

- (a) for the purposes of Operational Balancing to the extent that ~~National Grid NTS~~National Gas Transmission determines at any time on the Gas Flow Day that there is an Operational Balancing Requirement which cannot be satisfied by the taking of any Market Balancing Action (because there are no or

insufficient Market Offers which are operationally suitable);

- (b) for the purposes of Operational Balancing where and for so long as ~~National Grid NTS~~[National Gas Transmission](#) determines that, as a result of damage to or failure of any part of the NTS (other than Programmed Maintenance) occurring on the Gas Flow Day, there is an Operational Balancing Requirement, whether or not capable of being satisfied by the taking of a Market Balancing Action;
- (c) in an Emergency (in accordance with Section Q), for the purposes of maintaining safe pressures in the NTS during the period in which (pursuant to Emergency Steps in relation to demand under Section Q3.4 and 3.5) the NTS is run down.

2.1.2 For the purposes of paragraph 2.1.1(b) damage or failure to the NTS includes the failure of any compression facility within the NTS to operate (or continue to operate) or a break in any pipe forming part of the NTS.

2.2 Annual estimation of Operating Margins Requirements

2.2.1 For each Operating Margins Year ~~National Grid NTS~~[National Gas Transmission](#) will estimate:

- (a) an aggregate quantity of gas required for Operating Margins Requirements for the Operating Margins Year;
- (b) the maximum rate of delivery to, or reduction or delay in the offtake of gas from the NTS required for Operating Margins Requirements on any Day;
- (c) on the basis of the amounts under paragraphs (a) and (b), the aggregate amounts of Operating Margins Gas and Operating Margins Deliverability required for Operating Margins Requirements (irrespective of whether such Operating Margins Gas and Operating Margins Deliverability is held or is to be held by ~~National Grid NTS~~[National Gas Transmission](#) pursuant to Operating Margins Capacity Arrangements or by a third party pursuant to Operating Margins Gas Delivery Arrangements); and
- (d) a profile ("**Operating Margins Profile**") of the quantity of Operating Margins Gas for Operating Margins Requirements at different times during the Operating Margins Year, and the aggregate ("**Aggregate Operating Margins Profile**"), the maximum amount of which being the quantity under paragraph (a) of such profiles for all Operating Margins Facilities.

2.2.2 The estimates under paragraph 2.2.1 will be made:

- (a) on the basis of such assumptions as ~~National Grid NTS~~[National Gas Transmission](#) shall (in the light of the circumstances prevailing at the time and experience of a number of years) reasonably determine to be appropriate as to the probable extent and frequency of occurrence of the circumstances in which Operating Margins Requirements under paragraphs 2.1.1(a) and (b) may arise;
- (b) having regard to the need to balance the costs of Operating Margins with the risk of there being insufficient Operating Margins Gas and/or Operating

Margins Deliverability for such requirements;

- (c) having regard to the location on the Total System and operational characteristics of each Operating Margins Facility;
 - (d) on the basis of the estimate of 1-in-50 Severe Annual Demand as may be published from time to time by ~~National Grid~~ [NTS National Gas Transmission](#) (provided publication occurs at an interval of not more than 12 months); and
 - (e) on the basis of such other reasonable assumptions as ~~National Grid~~ [NTS National Gas Transmission](#) shall determine to be appropriate in the circumstances (but for the avoidance of doubt assuming that shrinkage requirements will be provided for by NTS Shrinkage Provider).
- 2.2.3 ~~National Grid~~ [NTS National Gas Transmission](#) will, not later than 1 March in each Operating Margins Year, provide to Users and the Authority a statement (an "**Operating Margins Statement**") containing details of:
- (a) the assumptions made pursuant to paragraph 2.2.2; and
 - (b) the amounts estimated under paragraph 2.2.1 and (on the basis of the assumptions referred to in paragraph (a)) the calculation of such estimated amounts.
- 2.2.4 ~~National Grid~~ [NTS National Gas Transmission](#)'s assumptions and estimates under paragraphs 2.2.1 and 2.2.2 will be made in good faith; but (provided that ~~National Grid~~ [NTS National Gas Transmission](#) has entered into Operating Margins Capacity Arrangements and/or Operating Margins Gas Delivery Arrangements on the basis of such assumptions and estimates, and procured and injected gas, in accordance with paragraph 3) to the extent that on any Day:
- (a) the quantities or rates of delivery of gas or reduction in the offtake of gas required to be utilised for Operating Margins Requirements exceed the quantities of Operating Margins Gas and/or the Operating Margins Deliverability held by, or available to, ~~National Grid~~ [NTS National Gas Transmission](#) pursuant to Operating Margins Capacity Arrangements and/or Operating Margins Gas Delivery Arrangements for Operating Margins Purposes; and
 - (b) as a result, ~~National Grid~~ [NTS National Gas Transmission](#) is unable (after utilising in accordance with paragraph 2.3.1 such Operating Margins as are available) to maintain an Operational Balance in the Total System or any part thereof (or to do so without taking Emergency Steps)

~~National Grid~~ [NTS National Gas Transmission](#) (and each other Transporter) will not be liable under Section J3.2.1 in respect of any resulting failure to make gas available for offtake from the Total System.

2.3 Utilisation of Operating Margins

- 2.3.1 ~~National Grid~~ [NTS National Gas Transmission](#) shall be entitled to utilise Operating Margins (in such Operating Margins Facilities as it shall determine to be operationally appropriate in the circumstances) with a view to meeting Operating Margins

Requirements in accordance with the relevant provisions of paragraph 2.1.1.

- 2.3.2 ~~National Grid NTS~~[National Gas Transmission](#) may only utilise Operating Margins for the requirements in paragraph 2.1.1(b) within 24 hours of the time that the damage or failure referred to in that paragraph occurs.
- 2.3.3 The costs that ~~National Grid NTS~~[National Gas Transmission](#) may recover for the utilisation of Operating Margins through the Daily Margins Recovery Amount are set out at paragraph 4.3 below.

3 PROCUREMENT OF OPERATING MARGINS ARRANGEMENTS

3.1 General

- 3.1.1 Nothing shall prevent ~~National Grid NTS~~[National Gas Transmission](#) from entering into Operating Margins Capacity Arrangements and Operating Margins Gas Delivery Arrangements in respect of the same Operating Margins Facility for the same or an overlapping period.
- 3.1.2 ~~National Grid NTS~~[National Gas Transmission](#) will in or before the Operating Margins Year enter into such Operating Margins Capacity Arrangements and/or Operating Margins Gas Delivery Arrangements as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure injection in accordance with the provisions of the relevant Operating Margins Facility Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section K.
- 3.1.3 Where ~~National Grid NTS~~[National Gas Transmission](#) has entered into an Operating Margins Gas Delivery Arrangement or an Operating Margins Capacity Arrangement, nothing shall (subject to the relevant Operating Margins Facility Terms) prevent ~~National Grid NTS~~[National Gas Transmission](#) from:
- (a) terminating such Operating Margins Gas Delivery Arrangement or Operating Margins Capacity Arrangement;
 - (b) transferring or otherwise disposing of any Operating Margins Capacity; or
 - (c) entering either into alternative Operating Margins Gas Delivery Arrangements or Operating Margins Capacity Arrangements

in respect of such quantities of Operating Margins Gas or Operating Margins Capacity or Operating Margins Deliverability as ~~National Grid NTS~~[National Gas Transmission](#) may determine at the relevant time, and procuring and disposing of such amounts of Operating Margins Gas as is required by ~~National Grid NTS~~[National Gas Transmission](#) (provided always that such procurement and disposal is carried out in accordance with this Section K).

3.2 Procurement of Operating Margins Gas Delivery Arrangements

- 3.2.1 ~~National Grid NTS~~[National Gas Transmission](#) may enter into Operating Margins Gas Delivery Arrangements in respect of the amounts (when aggregated with those amounts subject to Operating Margins Capacity Arrangements) as ~~National Grid NTS~~[National](#)

[Gas Transmission](#) may reasonably determine to be necessary to meet the Operating Margins Requirements as set out at paragraph 2.2.1(c) above.

3.2.2 ~~National Grid NTS~~[National Gas Transmission](#) will in or before the Operating Margins Year make such arrangements ("**Margins Delivery Procurement Arrangements**") for the delivery of gas to or a reduction or delay in offtake of gas from the NTS pursuant to paragraph 3.2.1 as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure delivery of gas to the NTS or reduction or delay in the offtake of gas from the NTS in accordance with the provisions of the relevant Operating Margins Facility Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section K.

3.2.3 In particular ~~National Grid NTS~~[National Gas Transmission](#) may (with a view to meeting the objectives in paragraph 3.2.2):

- (a) contract with Users for the delivery of gas to the NTS, or reduction or delay in the offtake of gas from the NTS on such terms (as to price, quantities, rates and times of delivery or offtake of gas, payment for gas which it was unable to take, and otherwise) as it shall determine;
- (b) contract for the delivery of gas or the reduction or delay in the offtake of gas (as to all or any part of its requirements) under agreement(s) providing for the delivery of gas or the reduction or delay in the offtake of gas from the NTS over such period as it may determine, and/or on a spot basis; and
- (c) conduct a tender for the award of a contract under paragraph (b) (the terms of which need not require ~~National Grid~~[National Gas Transmission](#) to accept the lowest priced or any offer where in its reasonable opinion a prudent purchaser in comparable circumstances would not do so).

3.2.4 ~~National Grid NTS~~[National Gas Transmission](#) may procure delivery of gas for Operating Margins Purposes and on behalf of the NTS Shrinkage Provider and/or another Relevant System Manager on an integrated basis; but ~~National Grid NTS~~[National Gas Transmission](#) shall in any event maintain separate records of the quantities of deliveries of gas procured for Operating Margins Purposes and for the NTS Shrinkage Provider and/or another Relevant System Manager.

3.3 Procurement of Operating Margins Capacity Arrangements

3.3.1 For the purposes of paragraphs 3.3 to 3.9:

- (a) references to a User shall exclude DNO Users; and
- (b) relevant WACOG is Operating Margins WACOG at the end of the preceding Storage Year.

3.3.2 ~~National Grid NTS~~[National Gas Transmission](#) may apply for and be registered as holding Operating Margins Capacity in respect of the amounts (when aggregated with those amounts subject to Operating Margins Gas Delivery Arrangements) as ~~National Grid NTS~~[National Gas Transmission](#) deems is reasonably required for Operating Margins Purposes under paragraph 2.2.1(c), together with such amounts of Operating

- Margins Injectability as ~~National Grid NTS~~[National Gas Transmission](#) may deem necessary.
- 3.3.3 For the purposes of avoiding or reducing the liability of a Relevant System Manager to pay Storage Overrun Charges under Operating Margins Facility Terms in respect of the withdrawal of gas on any Day from an Operating Margins Facility, ~~National Grid NTS~~[National Gas Transmission](#) may on behalf of a Relevant System Manager make, subject to the relevant Operating Margins Facility Terms, a Storage Gas Transfer in favour of another Relevant System Manager.
- 3.3.4 For the purposes of this Section K, in respect of each Operating Margins Facility the "**Carry-over Margins Gas**" is the amount of Relevant Residual Gas (as defined in paragraph 3.6.1) held by ~~National Grid NTS~~[National Gas Transmission](#) for Operating Margins Purposes after taking account of any Storage Gas Transfer under paragraphs 3.6 and 3.8 and less the amount of the Residual Surplus Gas (if any) under paragraph 3.7.
- 3.3.5 ~~National Grid NTS~~[National Gas Transmission](#) will in or before the Storage Year make such arrangements ("**Margins Gas Procurement Arrangements**") for the procurement of gas (in excess of the aggregate Carry-over Margins Gas) for injection into Operating Margins Capacity held by it pursuant to paragraph 3.3.2 as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure injection in accordance with the provisions of the relevant Operating Margins Facility Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section K.
- 3.3.6 In particular ~~National Grid NTS~~[National Gas Transmission](#) may (with a view to meeting the objectives in paragraph 3.3.5):
- (a) contract with Users or others for the purchase of gas on such terms (as to price, quantities and times of delivery of gas, payment for gas which it was unable to take, and otherwise) as it shall determine;
 - (b) contract for the purchase of gas (as to all or any part of its requirements) under agreement(s) providing for delivery over a period of up to 12 months and/or on a spot basis;
 - (c) conduct a tender for the award of a contract under paragraph (b) (the terms of which need not require ~~National Grid NTS~~[National Gas Transmission](#) to accept the lowest priced or any offer where in its reasonable opinion a prudent purchaser of gas in comparable circumstances would not do so);
 - (d) make Acquiring Trade Nominations on any terms as to payment and quantity;
 - (e) make Storage Gas Transfers (as transferee) on terms requiring payment and upon any other terms as to payment and quantity; and
 - (f) where permitted under this Section K, make Output Nominations (for injections at a Storage Connection Point) for a Day without delivering gas to the NTS or making an Acquiring Trade Nomination.
- 3.3.7 ~~National Grid NTS~~[National Gas Transmission](#) may procure gas (in accordance with

paragraph 3.6) for Operating Margins Purposes and on behalf of the NTS Shrinkage Provider on an integrated basis; but ~~National Grid NTS~~ [National Gas Transmission](#) shall in any event maintain separate records of the quantities of gas procured for Operating Margins Purposes and the NTS Shrinkage Provider.

3.4 Injection – general (Operating Margins Capacity Arrangements)

~~National Grid NTS~~ [National Gas Transmission](#) will arrange its injections of gas (in accordance with the relevant Operating Margins Facility Terms) in respect of Operating Margins Space allocated to it under paragraph 3.3 (after taking account of Carry-over Margins Gas and any Margins Gas Procurement Arrangement under paragraph 3.3.6(e)) on such basis as it shall in its discretion determine having regard to:

- (a) the requirement to secure injection of quantities in aggregate equal to its Operating Margins Space;
- (b) the injection rules under the relevant Operating Margins Facility Terms;
- (c) the extent to which it has (under paragraph 3.3.6) chosen to purchase gas under term and not spot arrangements (and the delivery terms of such term arrangements); and
- (d) any differences in the rates of injection charges at different times in the relevant injection periods.

3.5 Reprofilling of Existing Gas-in-Storage across Storage Years prior to the start of or during the Storage Year for Operating Margins Capacity Arrangements

3.5.1 Following 1 February in a Storage Year, ~~National Grid NTS~~ [National Gas Transmission](#) may, in respect of each Operating Margins Facility, estimate:

- (a) the Relevant Residual Gas that will be held by each Relevant System Manager in the Operating Margins Facility at the end of the Storage Year (the "**estimated Relevant Residual Gas**");
- (b) the amount (if any) (the "**pre-Storage Year estimated surplus**") by which the estimated Relevant Residual Gas of a Relevant System Manager (the "**pre-Storage Year transferor**") exceeds the amount of Operating Margins Space that ~~National Grid NTS~~ [National Gas Transmission](#) estimates will be held for the following Storage Year in that Operating Margins Facility by the Relevant System Manager.

3.5.2 In respect of an Operating Margins Facility where there exists a pre-Storage Year estimated surplus, ~~National Grid NTS~~ [National Gas Transmission](#) may on behalf of a pre-Storage Year transferor seek to make a transfer in favour of a User(s) in respect of the pre-Storage Year estimated surplus before the end of the Storage Year by way of:

- (a) Storage Gas Transfer(s);
- (b) Storage Gas Transfer(s) between relevant Operating Margins Facilities; or
- (c) withdrawal from a relevant Operating Margins Facility and Trade Nominations in respect of the quantity of gas withdrawn by conducting a tender or a series of tenders.

- 3.5.3 If, following the termination or expiry of any Operating Margins Capacity Arrangements or the transfer of any Operating Margins Capacity at any time during a Storage Year, ~~National Grid NTS~~[National Gas Transmission](#), in respect of an Operating Margins Facility, estimates that the amount of gas-in-storage held by each Relevant System Manager at that Operating Margins Facility may exceed the amount of Operating Margins Space that ~~National Grid NTS~~[National Gas Transmission](#) estimates will be held in that Operating Margins Facility following such termination or transfer, (the “**post transfer estimated surplus**”) then ~~National Grid NTS~~[National Gas Transmission](#) may seek to make a transfer in favour of a User(s) in respect of the post transfer estimated surplus by way of:
- (a) Storage Gas Transfer(s);
 - (b) Storage Gas Transfer(s) between relevant Operating Margins Facilities; or
 - (c) withdrawal from a relevant Operating Margins Facility and Trade Nominations in respect of the quantity of gas withdrawn by conducting a tender or a series of tenders.
- 3.5.4 For the purposes of the tenders referred to in paragraphs 3.5.2 and 3.5.3, the provisions of paragraph 3.7.2(a) to (h) shall apply as if the references therein to Residual Surplus Gas were references to the pre-Storage Year estimated surplus and/or post transfer estimated surplus as if references to Residual Gas Transfer were references to transfers under paragraphs 3.5.2 and 3.5.3 and as if the reference at paragraph 3.7.2(f)(ii) to paragraph 3.7.6(b) did not apply.
- 3.5.5 If after any Storage Gas transfers or tenders pursuant to paragraph 3.5.3, there is any remaining post transfer estimated surplus, ~~National Grid NTS~~[National Gas Transmission](#) (on behalf of Relevant System Managers) may take such other reasonable action as it shall think fit to dispose thereof (it being apparent that no User is willing at any price to enter into a Storage Gas Transfer thereof); and any reasonable costs incurred by ~~National Grid NTS~~[National Gas Transmission](#) in so doing (including costs incurred by reason of having gas-in-storage in excess of its Storage Space or LNG Importation Space) shall be costs of the Relevant System Manager for the purposes of this Section K.

3.6 Re-Profiling Existing Gas-In-Storage at the start of the Storage Year for Operating Margins Capacity Arrangements

- 3.6.1 At the start of each Storage Year ~~National Grid NTS~~[National Gas Transmission](#) will determine, in respect of each Storage Facility and LNG Importation Facility:
- (a) the amount (the "**Relevant Residual Gas**") of gas-in-storage held at the end of the preceding Storage Year by each Relevant System Manager;
 - (b) whether, and if so the amount (the "**relevant surplus**") by which the Relevant Residual Gas of a Relevant System Manager (the "**transferor**") exceeds the amount of Storage Space or LNG Importation Space held for the Storage Year in that Storage Facility or LNG Importation Facility by that Relevant System Manager; and
 - (c) whether, and if so the amount (the "**relevant deficit**") by which the Relevant Residual Gas of another Relevant System Manager (the "**transferee**") is less

than the amount of Storage Space or LNG Importation Space held for the Storage Year in that Storage Facility or LNG Importation Facility by that Relevant System Manager.

- 3.6.2 Subject to the relevant Storage Terms or LNG Importation Terms, a transferor may effect from the start of the Storage Year a Storage Gas Transfer in favour of a transferee in respect of the lesser of the relevant surplus and the relevant deficit, and the transferee shall pay to the transferor an amount determined by multiplying the amount of the transferred gas-in-storage by the relevant WACOG of the transferor.
- 3.6.3 Where in relation to a Storage Facility or an LNG Importation Facility there is more than one transferor or transferee paragraph 3.6.2 shall apply to each so far as practicable pro rata their respective relevant surpluses or relevant deficits.
- 3.6.4 Following ~~National Grid NTS~~ [National Gas Transmission](#)'s determination pursuant to paragraph 3.6.1, ~~National Grid NTS~~ [National Gas Transmission](#) shall (subject to paragraph 3.7.6) determine in respect of each Relevant System Manager:
- (a) for each Storage Facility and LNG Importation Facility (a "**surplus**" Storage Facility or LNG Importation Facility) whether, and if so the amount (the "**remaining surplus**") by which, any relevant surplus exceeds the amount(s) to be transferred by the Relevant System Manager in accordance with paragraph 3.6.2; and
 - (b) for each Storage Facility and LNG Importation Facility (a "**deficit**" Storage Facility and LNG Importation Facility) whether, and if so the amount (the "**remaining deficit**") by which, any relevant deficit exceeds the amount(s) to be transferred to the Relevant System Manager in accordance with paragraph 3.6.2.
- 3.6.5 Where this would be consistent with the requirements of paragraph 3.3.5 a Relevant System Manager may choose to make all or part of its Margins Gas Procurement Arrangements in respect of any deficit Storage Facility or LNG Importation Facility by arranging for the withdrawal from a surplus Storage Facility or LNG Importation Facility and injection into a deficit Storage Facility or LNG Importation Facility in the relevant Storage Year of a quantity of gas not in aggregate exceeding the lesser of the remaining surplus and the remaining deficit (the aggregate quantity of gas which is to be so withdrawn and injected, the "**Carry-Across Gas**").

3.7 Disposal of residual gas at the start of a Storage Year (Operating Margins Capacity Arrangements)

- 3.7.1 For the purposes of this Section K:
- (a) in relation to a Storage Year "**Residual Surplus Gas**" is the amount (if any) of a Relevant System Manager's Relevant Residual Gas in a Storage Facility or LNG Importation Facility at the end of the preceding Storage Year which after taking account of any Storage Gas Transfer and any Carry-Across Gas (in relation to which the Storage Facility is the surplus facility) under paragraph 3.5 and/or 3.6 and/or paragraph 3.8 exceeds the Storage Space or LNG Importation Space held by the Relevant System Manager for the Storage Year in that facility;

- (b) a **"Residual Gas Transfer"** is a transfer in favour of a User by ~~National Grid NTS~~ [National Gas Transmission](#) on behalf of a Relevant System Manager in respect of Residual Surplus Gas by way of:
- (i) a Storage Gas Transfer; or
 - (ii) withdrawal from a relevant Storage Facility or LNG Importation Facility and Trade Nominations in respect of the quantity of gas withdrawn.
- 3.7.2 ~~National Grid NTS~~ [National Gas Transmission](#) on behalf of each Relevant System Manager will before, or as soon as reasonably practicable after, the start of each Storage Year make such arrangements for, Residual Gas Transfers as it shall determine to be the most economic for the discharge of its functions under this Section K.
- 3.7.3 Where ~~National Grid NTS~~ [National Gas Transmission](#), with a view to meeting the objectives in paragraph 3.7.2, conducts a tender:
- (a) ~~National Grid NTS~~ [National Gas Transmission](#) will issue a tender document to all Users specifying the aggregate amount of Residual Surplus Gas in each Storage Facility or LNG Importation Facility and inviting each User to bid a price at which it would be willing to enter into a Residual Gas Transfer in respect of a quantity of gas, to be specified by such User, not exceeding the aggregate amount of the Residual Surplus Gas in each Storage Facility or LNG Importation Facility;
 - (b) the terms of the tender document (including the tranches of Residual Surplus Gas, if any, for which bids may be made, the times at or periods within which bids are to be made and accepted, the times at or periods within which Residual Gas Transfers will be made, and the terms of payment by Users whose bids are accepted) will be determined by ~~National Grid NTS~~ [National Gas Transmission](#);
 - (c) a bid submitted by a User pursuant to the tender document shall be an offer capable of acceptance by ~~National Grid NTS~~ [National Gas Transmission](#), and may not be made conditional (save as to any condition provided for in the tender document) in any respect;
 - (d) any bid shall be capable of acceptance as to all, or (for the purpose of paragraph (g), and unless the User expressly states otherwise) any part of the quantity specified by the User;
 - (e) the terms of the tender document will set out the basis on which Residual Gas Transfers are to be made pursuant to an accepted bid, and may authorise ~~National Grid NTS~~ [National Gas Transmission](#) to make such a Residual Gas Transfer on behalf of any User;
 - (f) the tender document:
 - (i) will not (but without prejudice to paragraph 3.7.6) provide for any reserve price below which bids would not be accepted;
 - (ii) may (where it provides for alternative times or forms of Residual Gas Transfer, and/or offers Residual Surplus Gas in more than one Storage Facility or LNG Importation Facility, at the bidding User's option)

provide for adjustments to the bid price payable by a User (in respect of a bid accepted by ~~National Grid NTS~~National Gas Transmission in accordance with paragraph (g)) to reflect different costs incurred (as a result of the option chosen by the User) by Relevant System Managers (or ~~National Grid NTS~~National Gas Transmission on their behalf) in making the Residual Gas Transfer and/or (where paragraph 3.7.6 applies) in Margins Gas Procurement Arrangements;

- (g) ~~National Grid NTS~~National Gas Transmission shall not be required to accept the highest priced or any bid where in its reasonable opinion a prudent seller of gas in comparable circumstances would not do so; and
 - (h) if after the tender the Residual Surplus Gas, or any part of it, is unsold, ~~National Grid NTS~~National Gas Transmission (on behalf of Relevant System Managers) will take such other reasonable action as it shall think fit to dispose thereof.
- 3.7.4 A Relevant System Manager will not transfer or surrender Storage Capacity or LNG Importation Capacity when making Residual Gas Transfers in respect of Residual Surplus Gas.
- 3.7.5 Reasonable costs incurred by ~~National Grid NTS~~National Gas Transmission in making Residual Gas Transfers (including costs incurred be reason of having gas in storage in excess of its Storage Space or LNG Importation Space) shall be costs of the Relevant System Manager for the purposes of this Section K.
- 3.7.6 Where more than one Relevant System Manager holds Residual Surplus Gas in a Storage Facility or LNG Importation Facility, the gas-in-storage subject to Residual Gas Transfers and the proceeds of the Residual Gas Transfers will be apportioned pro rata their respective quantities of Residual Surplus Gas in the facility.
- 3.7.7 ~~National Grid NTS~~National Gas Transmission may provisionally determine the amount of the Residual Surplus Gas for the purposes of the tender document under paragraph 3.7.3 before determining (under paragraph 3.6.4) the amount of Carry-Across Gas in which case:
- (a) the tender document shall state that the amounts of Residual Surplus Gas subject to tender are liable to be reduced following determination of the amounts of Carry-Across Gas; and
 - (b) the amounts of Carry-Across Gas may be determined having regard to the prices which are bid pursuant to such tender.

3.8 Winter Carry-Across and Winter Storage Gas Transfers (Operating Margins Capacity Arrangements)

3.8.1 For the purposes of the Code:

- (a) **"Winter Carry-Across Gas"** means gas withdrawn from one Storage Facility or LNG Importation Facility by a Relevant System Manager and injected into another Storage Facility or LNG Importation Facility by the same or another Relevant System Manager;
- (b) a **"Winter Storage Gas Transfer"** means a Storage Gas Transfer in respect of

a Storage Facility or LNG Importation Facility made by a Relevant System Manager as transferee with another Relevant System Manager or other User as transferor

for the purposes of avoiding or limiting or curing (in accordance with the relevant provisions of this Section K or Section R) a deficiency of gas-in-storage by reference to the Operating Margins Profile or Aggregate Weekly Minimum Requirement respectively.

- 3.8.2 Where two Relevant System Managers make a Winter Storage Gas Transfer the transferee shall pay to the transferor an amount determined by multiplying the amount of the transferred gas-in-storage by the relevant WACOG (in accordance with paragraph 3.3.1 (b)), but as at the Day for which such Nomination was made) of the transferor.
- 3.8.3 In relation to any possible withdrawal of Winter Carry-Across Gas or Winter Gas Storage Transfer, an Operating Margins Facility is "**Available**" for Operating Margins Purposes if at the relevant time:
- (a) ~~National Grid NTS~~[National Gas Transmission](#) holds gas in storage in the facility for Operating Margins Purposes;
 - (b) the aggregate gas-in-storage held by ~~National Grid NTS~~[National Gas Transmission](#) for Operating Margins Purposes is not less than the Aggregate Operating Margins Profile; and
 - (c) no Operating Margins Profile Deficiency in respect of such facility exists or would arise as a result of such withdrawal or transfer.
- 3.8.4 For the purposes of paragraph 4, Winter Carry-Across Gas injected by ~~National Grid NTS~~[National Gas Transmission](#) for Operating Margins Purposes shall be treated as if it were Carry-Across Gas pursuant to paragraph 4.3.4, except that the reference in paragraph 4.2.4(a) to the last Day of the Storage Year shall be treated as a reference to the Day for which such Nomination was made.
- 3.8.5 For the avoidance of doubt, injection of Winter Carry-Across Gas by ~~National Grid NTS~~[National Gas Transmission](#) for Operating Margins Purposes and any Winter Storage Gas Transfer made for such purposes by it as transferee, shall be treated as part of the Margins Gas Procurement Arrangements.
- 3.8.6 Amounts accruing due on any Day to ~~National Grid NTS~~[National Gas Transmission](#) (Margins) in respect of Winter Carry-Across Gas or Winter Storage Gas Transfer made by it as transferor shall be counted as Eligible Margins Revenues for the purposes of paragraph 4.3.3.
- 3.9 Additional injection (Operating Margins Capacity Arrangements)**
- 3.9.1 Where at any time in the Storage Year the quantity of gas-in-storage held by ~~National Grid NTS~~[National Gas Transmission](#) for Operating Margins Purposes in any Operating Margins Facility is less than the quantity shown as required at that time according to the Operating Margins Profile for that Operating Margins Facility (the amount by which it is less being the "**Operating Margins Profile Deficiency**"), ~~National Grid NTS~~[National Gas Transmission](#) will, but only to the extent that and at a time at which it

is reasonably practicable to do so:

- (a) if and to the extent that any other Operating Margins Facility in which ~~National Grid NTS~~[National Gas Transmission](#) has gas-in-storage for Operating Margins Purposes is Available (in accordance with paragraph 3.8), make an Input Nomination (and a corresponding Storage Withdrawal Nomination) (for Winter Carry-across Gas) in respect of that other Operating Margins Facility for a quantity of gas;
- (b) where any User offers to do so, on terms which ~~National Grid NTS~~[National Gas Transmission](#) reasonably determines to be acceptable, make an Acquiring Trade Nomination in respect of a quantity of gas;
- (c) to the extent, if any, to which its Margins Gas Procurement Arrangements permit it do so on terms which ~~National Grid NTS~~[National Gas Transmission](#) reasonably determines to be acceptable, secure that a quantity of gas (in addition to any other quantity to be delivered) is delivered to the Total System on the Gas Flow Day

the amount or aggregate amount of which does not exceed the amount of the relevant deficiency; and (except in the case of a Winter Storage Gas Transfer) inject such quantity into the Operating Margins Facility for Operating Margins Purposes.

- 3.9.2 Paragraph 2.2.4 shall not be affected by any inability of ~~National Grid NTS~~[National Gas Transmission](#) to do any of the things referred to in paragraph 3.9.1.

3.10 Operating Margins Trading Error

- 3.10.1 If ~~National Grid NTS~~[National Gas Transmission](#) enters into a Market Transaction on the Trading System, a transaction on any other exchange, or an over-the-counter transaction to purchase, or dispose of:

- (a) a given quantity of Operating Margins Gas and that quantity is different from the quantity for which the individual placing the transaction on behalf of ~~National Grid NTS~~[National Gas Transmission](#) had intended to transact,
- (b) Operating Margins Gas over a given period and that period is different from the period over which the individual had intended to transact, or
- (c) Operating Margins Gas for a given price and that price is different from the price at which the individual had intended to transact;

and the effect is (after ~~National Grid NTS~~[National Gas Transmission](#)'s endeavours to mitigate the effect under paragraph 3.10.6) that:

- (i) the cost of purchasing Operating Margins Gas is £50,000 more, or £50,000 less, or
- (ii) the proceeds from disposing of Operating Margins Gas are £50,000 more, or £50,000 less

than it/they would have been had the intended price, quantity or period been used (an “**Erroneous Trade**”), an adjustment will be made in accordance with

paragraph 3.10.2 or 3.10.4.

3.10.2 If any Operating Margins Gas is purchased under an Erroneous Trade, the Operating Margins WACOG in respect of the Operating Margins Facility to which that gas relates, shall be adjusted by calculating the Operating Margins WACOG using a cost of gas equal to what the Operating Margins Gas would have cost had the:

- (a) quantity purchased;
- (b) period over which the gas was purchased;
- (c) or price paid,

been what the individual placing the transaction on behalf of ~~National Grid~~ [NTS National Gas Transmission](#) had intended (whether using a cost resulting from using an intended quantity, period or price results in the cost being more, or less, than the actual cost, as would otherwise be required by paragraph 4.2).

3.10.3 If the aggregate of each adjustment made to the method of calculating the Operating Margins WACOG under paragraph 3.10.2 in a Storage Year (which shall be calculated by aggregating the number in respect of each adjustment, regardless of whether that number might be characterised as a positive, or negative number by virtue of it representing an increase, or decrease in cost) exceeds £1,000,000 (one million pounds), there shall be no further adjustment in that Storage Year and the actual cost of purchasing Operating Margins Gas shall be applied (as is required by paragraph 4.2) for the remainder of the Storage Year.

3.10.4 If any Operating Margins Gas is disposed of under an Erroneous Trade, the aggregate amounts received by ~~National Grid~~ [NTS National Gas Transmission](#) referred to in paragraph 4.4.3(b), shall be adjusted by deeming those amounts to be what the disposal proceeds would have been had the:

- (a) quantity purchased;
- (b) period over which the gas was purchased; or
- (c) price paid,

been what the individual placing the transaction on behalf of ~~National Grid~~ [NTS National Gas Transmission](#) had intended (whether using the proceeds resulting from using an intended quantity, period or price results in such proceeds being more, or less, than the actual proceeds, as would otherwise be required by paragraph 4.4.3(b)).

3.10.5 If the aggregate of each adjustment made by deeming aggregate amounts received by ~~National Grid~~ [NTS National Gas Transmission](#) under paragraph 3.10.4 in a Storage Year (which shall be calculated by aggregating the number in respect of each adjustment, regardless of whether that number might be characterised as a positive, or negative number by virtue of it representing an increase, or decrease in proceeds) exceeds £1,000,000 (one million pounds), there shall be no further adjustment in that Storage Year and the actual proceeds from disposal of Operating Margins Gas shall be applied (as is required by paragraph 4.4.3(b)) for the remainder of the Storage Year.

3.10.6 If ~~National Grid~~ [NTS National Gas Transmission](#) enters into an Erroneous Trade, it will use its reasonable endeavours to mitigate the effect of the Erroneous Trade, which may

include ~~National Grid NTS~~National Gas Transmission:

- (a) cancelling, or amending the Erroneous Trade to the extent that ~~National Grid NTS~~National Gas Transmission is entitled, or the counterparty agrees, to cancel or amend; and/or
- (b) entering into further transactions.

3.10.7 ~~National Grid NTS~~National Gas Transmission will, subject to section 3.10.8, publish the following details of any Erroneous Trade in the Procurement Guidelines document required by Special Condition 9.19 of its Gas Transporter's Licence:

- (a) whether the Erroneous Trade was a Market Transaction on the Trading System, a transaction on any other exchange, or an over-the-counter transaction;
- (b) the time and date of the Erroneous Trade and the date on which ~~National Grid NTS~~National Gas Transmission realised that the transaction was an Erroneous Trade;
- (c) any steps taken to mitigate the effect of the Erroneous Trade;
- (d) the amount of the increase or decrease in cost, or proceeds resulting from the Erroneous Trade; and
- (e) any adjustments made in accordance with paragraphs 3.10.2 to 3.10.4.

3.10.8 The expression "Erroneous Trade" shall, for the purposes of paragraph 3.10.7(a) to (d) (but not paragraph 3.10.7(e)), refer to any transaction described in paragraph 3.10.1(a), (b) or (c), whether, or not, the thresholds in paragraph 3.10.1(i) or (ii) are exceeded.

4 RECOVERY OF OPERATING MARGINS COSTS

4.1 Introduction

Certain of the costs incurred by ~~National Grid NTS~~National Gas Transmission in connection with Margins Gas Procurement Arrangements and in utilising Operating Margins in accordance with this Section K will subsequently be recovered from Users by virtue of the inclusion of the Daily Margins Recovery Amount in the calculation of Balancing Neutrality Charges under Section F.

4.2 Operating Margins WACOG

4.2.1 In respect of each Operating Margins Facility "Operating Margins WACOG" is:

- (a) where ~~National Grid NTS~~National Gas Transmission has entered into Operating Margins Capacity Arrangements in respect of that Operating Margins Facility, the weighted average cost of gas-in-storage for the time being held by ~~National Grid NTS~~National Gas Transmission for Operating Margins Purposes pursuant to those Operating Margins Capacity Arrangements in that facility; and
- (b) where ~~National Grid NTS~~National Gas Transmission has entered into Operating Margins Gas Delivery Arrangements in respect of that Operating Margins Facility, the weighted average cost of gas utilised by ~~National Grid~~

~~NTS~~[National Gas Transmission](#) for Operating Margins Purposes pursuant to those Operating Margins Gas Delivery Arrangements from that facility.

- 4.2.2 In this paragraph 4 "~~National Grid~~ ~~NTS~~[National Gas Transmission](#) (Margins)" means ~~National Grid~~ ~~NTS~~[National Gas Transmission](#) acting for Operating Margins Purposes.
- 4.2.3 For the purposes of:
- (a) paragraph 4.2.1(a), the Operating Margins WACOG shall be calculated:
 - (i) so as to take account of the costs set out in paragraph 4.2.4 (and where such costs are incurred by ~~National Grid~~ ~~NTS~~[National Gas Transmission](#) (Margins) in connection with injection on a Day into more than one Operating Margins Facility, allocating such costs in proportion to the quantities of gas injected into each such Operating Margins Facility); and
 - (ii) on the basis that any reduction (by withdrawal or Storage Gas Transfer) in the amount of gas-in-storage held by ~~National Grid~~ ~~NTS~~[National Gas Transmission](#) (Margins) shall be valued at Operating Margins WACOG at the time of such reduction;
 - (b) paragraph 4.2.1(b), the Operating Margins WACOG shall be calculated in accordance with the principles set out in the relevant Operating Margins Statement.
- 4.2.4 The relevant costs of ~~National Grid~~ ~~NTS~~[National Gas Transmission](#) (Margins) are the following amounts:
- (a) the quantity of the relevant Carry-Over Margins Gas multiplied by the Operating Margins WACOG and the quantity of relevant Carry-Across Gas (in respect of which the relevant Storage Facility is the deficit facility) multiplied by the Operating Margins WACOG in respect of the surplus Storage Facility, in each case as at the last Day of such Storage Year;
 - (b) the amounts which have accrued due from ~~National Grid~~ ~~NTS~~[National Gas Transmission](#) (Margins) pursuant to the Margins Gas Procurement Arrangements in respect of:
 - (i) quantities of gas delivered to the Total System; and
 - (ii) Acquiring Trade Nominations (irrespective of whether such amounts have been paid or have become due for payment by ~~National Grid~~ ~~NTS~~[National Gas Transmission](#) (Margins));
 - (c) the amounts which have accrued due from ~~National Grid~~ ~~NTS~~[National Gas Transmission](#) (Margins) in respect of any Storage Gas Transfers (including Winter Storage Gas Transfers) made in favour of ~~National Grid~~ ~~NTS~~[National Gas Transmission](#) (Margins);
 - (d) the amounts payable by ~~National Grid~~ ~~NTS~~[National Gas Transmission](#) (Margins) by way of Transportation Charges (in respect of the delivery of gas to the NTS at System Entry Points and the offtake of gas from the NTS at

Storage Connection Points for injection to Operating Margins Facilities), determined on a daily basis;

- (e) amounts incurred by ~~National Grid NTS~~[National Gas Transmission](#) (Margins) by way of Balancing Charges payable to ~~National Grid NTS~~[National Gas Transmission](#);
- (f) the amounts paid or payable by ~~National Grid NTS~~[National Gas Transmission](#) (Margins) by way of injection charges in respect of injection on relevant Days into the relevant Operating Margins Facility;
- (g) amounts payable by ~~National Grid NTS~~[National Gas Transmission](#) (Margins) (or ~~National Grid NTS~~[National Gas Transmission](#) (Margins) share of amounts payable by ~~National Grid NTS~~[National Gas Transmission](#)) by way of fees to a User Agent appointed by it in accordance with Section E2.2; and
- (h) the amounts paid or payable by ~~National Grid NTS~~[National Gas Transmission](#) (Margins) by way of withdrawal charges in respect of withdrawal on relevant Days of Carry-Across Gas from a surplus Operating Margins Facility in relation to which the relevant Operating Margins Facility is the deficit Operating Margins Facility.

4.2.5 Where the amount of any cost under paragraph 4.2.4 is not known at any time at which Operating Margins WACOG is calculated, ~~National Grid NTS~~[National Gas Transmission](#) will use an estimate of such amount.

4.2.6 For the purposes of this paragraph 4 "Net Margins WACOG" is:

- (a) where ~~National Grid NTS~~[National Gas Transmission](#) has entered into Operating Margins Capacity Arrangements, Operating Margins WACOG calculated in accordance with this paragraph 4.2 but on the basis that the amounts under paragraphs 4.2.4(d) and (f) are excluded from such calculation, and that in respect of amounts under paragraphs 4.2.4(b) and (c) an appropriate deduction shall be made to remove amounts reflected in the value of the gas or gas-in-storage acquired for Operating Margins Purposes attributable to Transportation Charges and injection charges at the rates applicable at the start of the relevant Storage Year; and
- (b) where ~~National Grid NTS~~[National Gas Transmission](#) has entered into Operating Margins Gas Delivery Arrangements, the amount determined in accordance with the principles set out in the relevant Operating Margins Statement.

4.2.7 In determining Operating Margins WACOG in respect of a surplus or a deficit Operating Margins Facility, gas withdrawn or injected as Carry-Across Gas shall be treated as having been withdrawn from or (as the case may be) injected to such facility on the Day such withdrawal or injection occurs.

4.2.8 The amounts (if any) paid by ~~National Grid NTS~~[National Gas Transmission](#) for Operating Margins Purposes pursuant to any Storage Gas Transfer under paragraph 3.5 and/or paragraph 3.6, and/or paragraph 3.8 will count in determining Operating Margins WACOG in accordance with paragraph 4.2.

4.3 Daily Margins Recovery Amount

- 4.3.1 The "**Daily Margins Recovery Amount**" in respect of each Day is Eligible Margins Costs less Eligible Margins Revenues.
- 4.3.2 "**Eligible Margins Costs**" in respect of a Day is the sum of:
- (a) the amount of gas withdrawn, or delivered to ~~National Grid NTS~~[National Gas Transmission](#), from each Operating Margins Facility on the Day for Operating Margins Purposes multiplied by Net Margins WACOG; and
 - (b) the amount of any Balancing Charges payable by ~~National Grid NTS~~[National Gas Transmission](#) (Margins) in respect of the Day.
- 4.3.3 "**Eligible Margins Revenues**" in respect of a Day on which Operating Margins were utilised is the amount of the Daily Imbalance Charge payable to ~~National Grid NTS~~[National Gas Transmission](#) (Margins) in respect of the Day (and reflecting the imbalance resulting from the delivery of gas to the Total System for Operating Margins Requirements and anything done under the Margins Gas Procurement Arrangements).
- 4.3.4 The withdrawal of gas from a surplus Operating Margins Facility as Carry-Across Gas shall not be treated as utilisation of such gas for Operating Margins Purposes, and such gas shall not be treated as withdrawn for Operating Margins Purposes for the purposes of paragraphs 4.3.1.
- 4.4 Closing Margins Adjustment Charge**
- 4.4.1 For the avoidance of doubt, this paragraph 4.4 applies only to Operating Margins Capacity Arrangements.
- 4.4.2 The amounts (if any) received by ~~National Grid NTS~~[National Gas Transmission](#) for Operating Margins Purposes pursuant to any Storage Gas Transfer under paragraph 3.5 and/or paragraph 3.6, and/or paragraph 3.8 or disposed of in respect of Residual Surplus Gas pursuant to paragraphs 3.5 and 3.7, less certain amounts incurred by ~~National Grid NTS~~[National Gas Transmission](#) in connection with the procurement and injection of gas for Operating Margins Purposes, will be refunded to Users in accordance with paragraph 4.4.
- 4.4.3 Following each Storage Year the difference between:
- (a) the aggregate (for each Operating Margins Facility for Operating Margins Purposes) of the quantities of gas subject to Residual Gas Transfers (as Residual Surplus Gas) under paragraph 4.4.2 multiplied by Operating Margins WACOG for the relevant Operating Margins Facility (as at the end of the Storage Year following which such transfers are made); and
 - (b) the aggregate amounts received (in accordance with paragraph 4.4.2) by ~~National Grid NTS~~[National Gas Transmission](#) (Margins) in respect of the Storage Gas Transfers or Residual Gas Transfers referred to in paragraph (a) less any amounts received (if any) pursuant to any adjustment under paragraph 3.7.2(f)(ii) to the bid prices payable by Users as a result of the Relevant System Manager or ~~National Grid NTS~~[National Gas Transmission](#) on their behalf) incurring withdrawal charges or other costs in connection with Residual Gas Transfers.

is payable to or recoverable from relevant Users in such Storage Year in accordance with this paragraph 4.4.

- 4.4.4 The amount under paragraph 4.4.3 is positive where the amount under paragraph (a) thereof exceeds that under paragraph (b), and otherwise is negative.
- 4.4.5 Following each Storage Year ~~National Grid NTS~~[National Gas Transmission](#) (Margins) shall pay to each relevant User, or (as the case may be) each relevant User shall pay to ~~National Grid NTS~~[National Gas Transmission](#) (Margins), a charge (the "**Closing Margins Adjustment Charge**") calculated as the amount under paragraph 4.4.3 divided by the sum of all relevant Users' relevant UDQIs and relevant UDQOs for such Storage Year, multiplied by the sum of the relevant User's relevant UDQIs and relevant UDQOs for such Storage Year.
- 4.4.6 For the purposes of this paragraph 4.4 relevant User, relevant UDQI and relevant UDQO have the same meanings as in Section F4.1.2.
- 4.4.7 ~~National Grid NTS~~[National Gas Transmission](#) (Margins) will as soon as reasonably practicable in the following Storage Year determine the Closing Margins Adjustment Charges.
- 4.4.8 The Closing Margins Adjustment Charges shall be invoiced and are payable in accordance with Section S.
- 4.4.9 It is acknowledged (without prejudice to the determination of Operating Margins WACOG in each Storage Facility) that it is not necessary to account for Carry-Across Gas in determining the Closing Margins Adjustment Charge as such gas will continue to be held by ~~National Grid NTS~~[National Gas Transmission](#) (Margins) Operating Margins WACOG for Operating Margins Purposes.

5 CLASS A CONTINGENCIES

5.1 Class A Contingencies

- 5.1.1 During the period of a Class A Contingency, any nominations and renominations for the purposes of Section K shall be submitted in accordance with the relevant Contingency Procedures.