

**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.

## Legal Text

### UNC TPD Section K

Delete existing paragraph 3.3.7:

~~3.3.7 National Grid NTS will make its Margins Gas Procurement Arrangements for material quantities of gas under paragraph 3.3.5 on the basis in paragraph 3.3.6(c) where reasonably feasible in the circumstances (and having regard to the time or times for delivery of such gas); and in any case where such arrangements are not made on such basis agrees to inform Users of the circumstances in which its arrangements were not so made.~~

Renumber existing paragraph 3.3.8 as 3.3.7, and amend to read as follows:

~~3.3.8~~ 3.3.7 Without prejudice to paragraph ~~3.3.7~~, National Grid NTS 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 shall in any event maintain separate records of the quantities of gas procured for Operating Margins Purposes and the NTS Shrinkage Provider.

Amend the lead in to existing paragraph 3.7.2 to read as follows:

3.7.2 National Grid NTS 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, ~~as soon as reasonably practicable after the start of the Storage Year, seek to make~~ Residual Gas Transfers as it shall determine to be the most economic for the discharge of its functions under this Section K. in respect of the Residual Surplus Gas in each relevant Storage Facility or LNG Importation Facility by conducting a tender as follows:

Amend the remainder of existing paragraph 3.7.2 as follows by making it paragraph 3.7.3 and by adding the following highlighted text to the lead in; and by deleting existing paragraphs (g) and (h) and replacing them with new paragraphs (g) and (h) (as highlighted):

3.7.3 Where National Grid NTS, with a view to meeting the objectives in paragraph 3.7.2, conducts a tender:

~~(g) National Grid NTS will accept bids in order of price (the highest priced being accepted first) for the whole of the quantity specified in each bid (subject to paragraph (h)) until it has accepted bids for that amount of gas equal to the~~

~~difference between the aggregate remaining surpluses and the aggregate remaining deficits as determined by National Grid NTS in accordance with 3.6.4 (provided that National Grid NTS shall not be required to accept bids for Residual Surplus Gas at a relevant Storage Facility or LNG Importation Facility in excess of the amount of Residual Surplus Gas at such relevant Storage Facility or LNG Importation Facility);~~

~~(h) the last bid (for the lowest price) accepted may be accepted for a part of the quantity specified in the bid, and if more than one such bid has the same price such bids will be accepted pro rata the amounts of each, disregarding any bid which states that it may only be accepted for the whole of the specified quantity.~~

(g) National Grid NTS 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 (on behalf of Relevant System Managers) will take such other reasonable action as it shall think fit to dispose thereof.

*Renumber existing paragraph 3.7.3 as 3.7.4 and there are no changes to the text.*

*Delete existing paragraph 3.7.4:*

~~3.7.4 ——— If after the tender under paragraph 3.7.2 there is any remaining Residual Surplus Gas, National Grid NTS (on behalf of Relevant System Managers) will 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 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.~~

*Insert new paragraph 3.7.5 to read as follows:*

3.7.5 Reasonable costs incurred by National Grid NTS in making Residual Gas Transfers (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.

*Renumber existing paragraph 3.7.5 as 3.7.6, and amend to read as follows:*

~~3.7.5~~ 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 ~~tender under paragraph 3.7.2 and any costs under paragraph 3.7.4~~ Residual Gas Transfers will be apportioned pro rata their respective quantities of Residual Surplus Gas in the facility.

*Renumber existing paragraph 3.7.6 as 3.7.7 and there are no changes to the text.*