

## Operating Margins



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# Operating Margins (1)

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- National Grid NTS has conducted a review of the Operating Margins (OM) process relating to gas procurement and disposals (“reprofiling”), due to:
  - Current rules restrict the route to market only allowing unused OM gas to be sold via tender (Section K.3.7.4)
  - The market structure doesn’t reflect current market conditions
    - UK gas market is very liquid and transparent;
    - The number of tenders and participants is limited; and
    - Prices submitted are below the market rate.
  - UNC provisions (Sections K3.3.4 to K.3.9.2) are unnecessarily long, complex and prescriptive

## Operating Margins (2)

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- We are proposing to raise a modification to improve the OM process:
  - Update and simplify the OM process to reflect the current market; and
  - Deliver potential cost savings to the market
- Our current thoughts on changes are:
  - Provide National Grid with discretion on how it undertakes reprofiling – same as for Capacity / Delivery arrangements in K.3.1.2.
  - Simplify the reprofiling provisions in Section K.3.3.4 to K.3.9.2 (currently nearly half of the whole UNC section)
  - Remove references to the “Relevant System Manager” and transfers between them – there has only been one for the last 12 years
- Do you have any questions or concerns related to Operating Margins?

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