

Tahir Mahmood  
Account Manager

[tahir.mahmood@nationalgrid.com](mailto:tahir.mahmood@nationalgrid.com)

Direct tel 01926 656005

Direct fax 01926 656613

[www.nationalgrid.com](http://www.nationalgrid.com)

21<sup>st</sup> December 2016

Dear Colleague,

## **OPERATING MARGINS (“OM”) – INVITATION TO TENDER**

This Invitation to Tender is made in respect of National Grid Gas’s latest OM procurement exercise.

### **What Is Changing**

This year, we have significantly updated our template OM contracts to:

- increase consistency, wherever possible, across the different templates;
- incorporate feedback from service providers through previous OM tenders; and
- reduce the number of templates from five to three.

We consulted on the new template OM contracts in October and November 2016, and received an excellent response. Respondents were overall very supportive of our new templates, and provided some constructive detailed comments. Following a review of the feedback, we have made a number of changes to the templates, which are to be used for this tender. These include:

- a new obligation in relation to gas quality on storage injection flows;
- obligations in respect of anti-bribery and anti-slavery have been made mutual; and
- some new provisions included to allow an OM nomination to be interrupted where the aggregate of the OM nomination and the nomination of all other users of the facility would exceed the facility’s maximum deliverability.

National Grid Gas has a strong preference to contract using the template OM contract terms. Any changes that tenderers wish to make to the template OM contract terms must be detailed in Appendix 1 of the relevant Tender Pack and will be factored into the assessment process.

For the last two tenders we included an option to also tender for a two or three year term, rather than for just a one year term. We have decided this year to revert to inviting tenders for just a one year term.

We are aware that an electricity Capacity Market auction is being held in January 2017, with obligations under awarded contracts due to commence on 1<sup>st</sup> October 2017. Some parties may wish

to participate in both the Capacity Market auction and this OM tender. If you have successfully obtained a Capacity Market contract, we would encourage you to participate in this OM tender, describing the implications your obligations under such Capacity Market contract may have on your ability to also provide an OM service, and setting out (if any) any amendments you might require to the template OM contract terms.

## **The OM Requirement**

Tenders are invited from Storage, LNG Importation with Storage, Supply Increase and/or Demand Reduction to meet the 2017/18 forecast OM requirement. The initial forecast requirement for 2017/18 is **899 GWh**, which includes locational requirements in the South West and South East.

## **Tender Documentation**

Documentation relating to this Invitation to Tender is now available on National Grid Gas's website:

<http://www2.nationalgrid.com/uk/industry-information/gas-transmission-system-operations/balancing/operating-margins/>

The following documents have been published:

- This Invitation to Tender (ITT) letter
- Explanation and Tender Guidance Document
- Tender Pack 1 – Gas Capacity
- Tender Pack 2 – Gas Delivery
- Operating Margins Agreements
  - Gas Capacity Agreement – Storage (Capacity Tender)
  - Gas Delivery Agreement – LNG Storage (Delivery Tender)
  - Gas Delivery Agreement – Demand Reduction and/or Supply Increase (Delivery Tender)
- Indexation Principles Document

## OM Timescales

The key dates for this Tender Round are as follows:

Activity	Date
Tender Opens	Wednesday 21st December 2016
Market Day	17:00 hours on Friday 3 <sup>rd</sup> February 2017
Tender Assessment	6 <sup>th</sup> February – 28 <sup>th</sup> February 2017
Results Day	Wednesday 1 <sup>st</sup> March 2017, or such earlier date as may be notified by National Grid Gas
Contract Completion	Friday 31 <sup>st</sup> March 2017
Service Commencement	05:00 hours on Sunday 1st May 2017

Market Day is the latest that tenders can be accepted by National Grid Gas. All tenders must be received by post (or be delivered by hand) no later than **17:00 hours on Friday 3<sup>rd</sup> February 2017** to the address below. Envelopes should be clearly marked “**OM Tender**” in the top left-hand corner and include the name of the tenderer.

Should tenderers wish to deliver their tender by hand, then this intention must be notified to National Grid Gas in advance (see above for my contact details).

## Further Information

For further information and a more detailed explanation of the tender process, please refer to the OM Explanation and Tender Guidance Document.

Should any party wish to arrange further discussions directly with National Grid Gas, please request a meeting at your earliest convenience.

Alternatively please contact me should you have any queries.

Yours Sincerely,

Tahir Mahmood  
Account Manager  
National Grid Gas  
[tahir.mahmood@nationalgrid.com](mailto:tahir.mahmood@nationalgrid.com)  
Tel: 01926 656005