

Procurement Guidelines for Distribution Annual Report

For the Period
01 April 2006 – 31 March 2007

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Executive Summary

National Grid has been given discretion with regard to the procurement of System Management Services, subject to an obligation under its Gas Distribution Licence taking into account its System Operator (SO) incentives.

National Grid confirms that System Management Services during the period covered by this Report have been procured in accordance with the principles set out in the prevailing Procurement Guidelines, and therefore National Grid considers that such activities satisfy its relevant GT Distribution Licence obligations.

1. Introduction

1.1 Purpose of the document

This document is the Procurement Guidelines Report (“Report”) which National Grid is required to publish in accordance with Special Condition D5 of the Gas Distribution Licence. This Report provides information in respect of the procurement of System Management Services referred to in the Procurement Guidelines which sets out the kinds of System Management Services which National Grid may be interested in purchasing, together with the mechanisms by which National Grid envisages purchasing such services.

This Report, which has been developed in consultation with the Authority, covers each of the services detailed in the Procurement Guidelines Statement.

Terms used within this Report shall have the same meaning given to them in National Grid’s Distribution Licence and the Uniform Network Code, as the case may be.

Further copies of this Report may be obtained from <http://www.nationalgrid.com/uk/gas> under ‘Operational Info - Procurement and use of System Management Services’ or from:

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1.2 Reporting Period

This Report has been prepared in accordance with Standard Special Condition D5 paragraph 4. This Condition states that the Report should be produced within one month after the publication date of the Procurement Guidelines that are prepared in accordance with paragraph 3 of this Condition.

This report includes details of System Management Services procured in relation to the gas flow period 1 April 2006 to 31 March 2007 inclusive.

This report covers the period 1st April to 31st March 2007, the report covers only those Networks retained by National Grid Gas Distribution following Network Sales. These are detailed below.

- North West Network
- West Midlands Network
- East of England Network
- London Network.

2. Procurement of System Management Services

2.1 Definition of System Management Services

System Management Services are those services that National Grid needs to procure in order to operate its Distribution pipe-line system in an efficient, economic and co-ordinated manner.

Such services may be provided from a variety of sources. For example National Grid may access existing mechanisms or markets. This might for example be via a Trading system or alternatively it may be via other contractual frameworks.

The Procurement Guidelines summarises the above System Management Services as being required for the following applications:

- Shrinkage
- DN Entry Capacity Management
- Storage
- Interruption.

2.2 System Management Services Procured

The services National Grid procured in this period are summarised in the Tables below:

Table 1 - Shrinkage**Service Component Description**

Shrinkage is the gas that is used or lost by the Transporter in the operation of the distribution network and includes any gas losses due to unidentified theft, meter errors, leakage and CV Shrinkage.

Component Details

1st April 2006 to 31st March 2007 procured shrinkage gas – National Grid Gas Distribution

Month	Quantity Purchased (kWh)
Apr-06	182037839
May-06	120418158
June-06	76008947
July-06	62201257
August-06	72493870
September-06	73047475
October-06	126841563
November-06	209509472
December-06	244206022
January-07	252948465
February-07	229942813
March-07	222233880

Table 2 -DN Entry Capacity Management

Service Component Description

In order to manage flows into the distribution networks National Grid procures flow capability through NTS Offtakes. The flow, based on capability is managed through a flat capacity requirement (peak daily flow) and a flex capacity requirement (flow between 06:00 and 22:00 relative to end of day flow).

Component Details

Procured Flat & Flex Capacity– National Grid Gas Distribution

1st May 2006 to 31st March 2007 procured Flat & Flex Capacity

LDZ	Flat Capacity (GWh/day)	Flex Capacity (GWh/d)
East Anglia	367.30	16.10
East Midlands	490.67	18.22
North London	486.67	(-0.62)
North West	542.09	33.96
West Midlands	438.10	(-5.60)

Table 3 –Storage

Service Component Description

Offtake from National Grid's Distribution Network follows an identifiable diurnal pattern. These fluctuations in demand are managed through the use of Diurnal Storage services including internal LDZ storage, either low or high pressure, linepack and NTS swing. Diurnal Storage gas is the quantity of gas required in any given gas day that will balance the input (supply) to match the gas demand at the parts of the day where that demand exceeds the supply. This gas will then be put back into store over night with a net storage use effect across the day of zero.

Component Details

April 2006 Procured Storage Services – National Grid (All Networks)

1st Apr 2006 to 31st March 2007 Procured Storage Services – National Grid Gas Distribution (Retained Networks)

During the period 1st May 2006 to 31st March 2007 National Grid Gas Distribution did not procure gas for its distribution network from external storage providers and utilised internal diurnal storage services only.

Table 4. Interruption

Service Component Description

In the event of desired exit flows exceeding transportation capability National Grid may procure interruption services in order to achieve the desired changes in gas flows. The interruption services may be procured to manage NTS constraints, LDZ constraints and/or supply demand imbalance.

Component Details

On 1 April 2006, National Grid had interruption access to 1,282 LDZ sites with an aggregate SOQ of 628,799,564 kWh.

During April 2006, National Grid did not utilise this service.

LDZ Interruptions				
Month	LDZ	No. of Supply Points Interrupted	No. of Supply Point Days*	Quantity Interrupted (MCM)
April-06	0	0	0	0

On the 1st May 2006 UKD had interruption access to 631 LDZ sites with an aggregate SOQ of 282,656,649 kWh.

During the period 1st May 2006 to 31 March 2007, UKD utilised this service as follows:

LDZ Interruptions				
Month	LDZ	No. of Supply Points Interrupted	No. of Supply Point Days*	Quantity Interrupted (MCM)
February 06	North West	6	14	0.13452

Notes

No. of Supply Point Days = No. of Supply Points interrupted * duration of interruption for each Supply Point in days