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12th December 2014

Dear Colleague,

OPERATING MARGINS (“OM”) – INVITATION TO TENDER

This Invitation to Tender represents National Grid Gas’ latest OM procurement exercise.

What Is Changing

This year, we are offering providers the opportunity to tender volumes for up to a 3 year time horizon.

Where providers choose to tender in volumes for later years, we recognise that for some, the potential for a varying OM volume booking profile across the years will be a consideration.

To address this, providers can choose to create a Linked Tender (through a tick box) to restrict our ability to accept later year volumes. If this option is selected, National Grid’s acceptance of later year volumes is restricted to:

- the level of OM volume booking in the previous year or
- the tendered volume for the relevant later year if this is lower

The OM Requirement

Tenders are invited from Storage, LNG Importation with Storage, Supply Increase and/or Offtake Reduction to meet our forecast OM requirement for 2015/16. We will consider offers for up to the 15/16 forecast requirement levels for years 2016/17 and 2017/18. The forecast requirement for 2015/16 is as follows:

| Gas Storage Year | 2015/16 |
|---------------------------|---------|
| Volume (GWh per annum) | 1,021 |

Within the above, the indicative locational OM forecast requirement is as follows:

| NTS Zone ¹ | 2015/16 (GWh per annum) |
|------------------------------|------------------------------------|
| Scotland | 0 |
| North | 0 |
| Wales | 0 |
| West | 95 |
| South | 38 |

National Grid Gas requests tenders for up to three years for services commencing 1st May 2015.

Tender Documentation

Documentation relating to this Invitation to Tender is now available on both National Grid's website and that of the Joint Office of Gas Transporters:

National Grid website:

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

Joint Office of Gas Transporters website:

<http://www.gasgovernance.co.uk/OpsMargins>

The following documents have been published:

- Invitation to Tender (ITT) letter
- Explanation and Tender Guidance Document
- Gas Operating Margins Tender User Flowchart
- Tender Sheets
 - Tender Pack 1 – Capacity
 - Tender Pack 2 – Gas Delivery
- Generic Operating Margins Gas Agreements
 - Operating Margins Gas Storage Agreement (Capacity Tenders)
 - Operating Margins LNG Storage and Importation Agreement (Delivery Tenders)
 - Operating Margins Gas Delivery Service Agreement (deliverability terms for supply increase/demand reduction tenders – 'single site')
 - Operating Margins Gas Delivery Service Agreement (deliverability terms for supply increase/demand reduction tenders – 'portfolio')
- Gas Indexation Principles Document

¹ See Appendix 1

The key dates for this Tender Round are as follows:

| Activity | Date |
|---|---|
| Tender Opens | Friday 12 th December 2014 |
| Market Day | 17:00 hours on Friday 30 th January 2015 |
| Tender Assessment | 2 rd - 26 th February 2015 |
| Results Day | Friday 27 th February 2015 |
| Draft Contracts sent to Service Providers | Friday 27 th February 2015 |
| Contract Completion | Friday 20 th March 2015 |
| Service Commencement | 06:00 hours on Friday 1 st May 2015 |

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 30th January 2015** to the address below. Envelopes should be clearly marked "**OM Tender**".

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 within the ITT documentation.

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,

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APPENDIX 1: Gas Operating Margins Locational NTS Zones

