

## **NTS GCM13: April NTS Exit Capacity Price Changes – Clarification Note**

National Grid issued consultation paper NTS GCM13 – April NTS Exit Capacity Price Changes – on 31 October 2008. Following the publication of the paper and subsequent questions we consider that it may be helpful to provide further clarification on the proposal. In light of these clarifications the closing date for the submission of responses has been extended to the 10<sup>th</sup> December 2008.

1. Through NTS GCM13 National Grid is seeking Ofgem’s approval to make a change to the Charging Methodology to facilitate a potential one-off April Exit Price change, recalculating Exit Prices without updating supply data. The proposal was raised to reduce the volatility of future Exit Price changes caused by the misalignment of gas year (October – September) and financial year (April – March).
2. The term “potential one-off” refers to the fact that National Grid does not intend to change Exit Prices in April every year from April 2009 onwards. However the proposal is a permanent change to the Charging Methodology such that any future April Exit Price change could be calculated using this revised methodology, i.e. calculating Exit Prices without updating supply data
3. Without a Methodology change an April Exit Price change would have to be calculated using the most recent Ten Year Statement, which is published in December each year. The change to the Charging Methodology would permit an April Exit Price change to be calculated without updating the supply data from that used to calculate the Exit Prices in the previous October.
4. Following the recent annual AQ review SOQs have fallen reducing National Grid’s expected income during the 2008/09 financial year. Against this background National Grid (subject to industry support of GCM13) is reviewing the need to change Exit Prices on 01 April 2009 to reduce future Exit Price volatility.
5. There may still be a need to change prices on 01 April in 2009 or from 01 April in future years to reduce Exit Price volatility caused by the misalignment of gas year and formula year. Updating Exit Prices without updating supply data should be more appropriate than using the prevailing methodology.
6. The tables in Appendix A are incorrectly labelled. The three columns listing the Indicative Exit Prices are labelled as follows:
  - a. “As-Is” (Option Four – Do Nothing)
  - b. Option Three (April Change based on updated TO Target Revenue)
  - c. Difference between Option Four and Option Three

However, the labels should be:

- i. “As-Is” (Option One – Do Nothing)
- ii. Option Four (April Price Change recalculating Exit Prices, without updating supply data)
- iii. Difference between Option Four and Option One