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2 May 2008

Dear Nienke,

## **Indicative Notice of Revised Gas NTS Charges to apply from 1 October 2008**

This notice is issued in line with National Grid's Gas Transporters Licence in respect of the NTS ("the Licence"). The Licence requires National Grid to provide 150 days indicative notice of potential changes to its gas transportation charges that will apply from 1<sup>st</sup> October 2008. The notice of the actual charges that shall apply from 1<sup>st</sup> October 2008 will be published by 1<sup>st</sup> August 2008, in line with the two months notice required by our licence and Network Code obligations.

The following are our current central forecasts for charges to apply from 1<sup>st</sup> October 2008.

### **NTS TO Commodity Charge**

The NTS TO Commodity Charge levied on entry flows is estimated to increase from its current rate to 0.0100 p/kWh as previously noted in Gas TCMF meetings. This increase is primarily due to:

- Lower than forecast revenue from entry capacity auctions. The charge set in April 2008 was based on last year's auction results, but following the latest AMSEC auctions, recovery was £45m less than anticipated. This now needs to be recovered by the NTS TO Commodity charge.
- Changes to the TO Maximum Allowed Revenue including recently allowed increased costs associated with gas conveyed to independent systems.

There continues to remain uncertainty regarding transfer and trade auction revenue, which will also affect the TO Commodity Charge. As the formula year progresses we will gain a better picture of bidding behaviour and adjust the charge accordingly.

### **NTS TO Exit Capacity Charges**

The indicative changes to NTS TO Exit Capacity charges are in the attached table. The charges have been derived via our Transportation Model. The model has been updated to reflect changes in the pipeline network, supply patterns, the expansion constant and target revenue all of which will affect exit charges. However, the following points should be noted:

- Network changes have had a negligible impact on charges.
- The change in the expansion factor will effectively expand the network thus increasing the range of exit charges albeit by a small amount.
- An increase in allowed revenue compared to 2007/08 will increase all exit charges by the same amount.
- Gas flows have been affected by changing supply and demand patterns. The main changes this year forecasts are around the supply assumptions, in particular, increases in beach and LNG import terminals have reduced the expected usage of LNG storage facilities. This has caused larger rises in the North West and South West, as gas has to travel further to meet demand in these locations.

Further demand data will become available in May and this revised data will have an effect on the actual exit capacity charges published by 1 August 2008.

National Grid anticipates making the Transportation Model available to parties that have signed the licence agreement for the model. Details of how to obtain the model can be found on the charging section of our website<sup>1</sup>.

### **NTS SO Commodity Charges**

The indicative level of the **NTS SO Commodity Charge**, as applied to both entry and exit flows, is 0.0138 p/kWh. This is an increase of 7% that has been primarily caused by reduced forecast income from incremental exit capacity charges, rather than by increased aggregate costs, which remain broadly in line with previous forecasts. We believe that the variation in our estimate of this charge is in the region of -10% / +22.

The **Compression Charge** levied at the Total Oil Marine sub-terminal at St. Fergus is expected to increase to an indicative level of 0.0150 p/kWh. Compressor fuel costs remain the significant component of this charge and the indicative charge is based on our present view of forward fuel prices.

For the avoidance of doubt, all other administered charges will remain the same.

If you have any questions about this Indicative Notice, or NTS charges in general, please contact myself or Karin Elmhirst on 01926 655540.

Nigel Fox  
Charging and Revenue Manager  
UK Transmission – Commercial  
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<sup>1</sup> <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>

### Indicative NTS TO Exit Capacity Charges

Invoice	Charge Codes
CAP	NDX (DM) / NNX (NDM)

Network	DN Exit Zone	Pence per peak day kWh per day
<b>East of England</b>	EA1	0.0072
	EA2	0.0078
	EA3	0.0033
	EA4	0.0128
	EM1	0.0002
	EM2	0.0053
	EM3	0.0151
	EM4	0.0108
<b>North of England</b>	NE1	0.0057
	NE2	0.0005
	NE3	0.0001
	NO1	0.0007
	NO2	0.0003
<b>London</b>	NT1	0.0211
	NT2	0.0133
	NT3	0.0128
<b>North West</b>	NW1	0.0094
	NW2	0.0142
<b>Scotland</b>	SC1	0.0001
	SC2	0.0001
	SC4	0.0001
<b>South of England</b>	SE1	0.0159
	SE2	0.0211
	SO1	0.0161
	SO2	0.0237
<b>Wales &amp; the West</b>	SW1	0.0160
	SW2	0.0234
	SW3	0.0336
	WA1	0.0184
	WA2	0.0096
<b>West Midlands</b>	WM1	0.0172
	WM2	0.0157
	WM3	0.0142

**Indicative NTS TO Exit Capacity Charges (continued)**

<b>Invoice</b>	<b>Charge Code</b>
CAP	NDX (DM)

	<b>Pence per peak day kWh per day</b>
<b>NTS Sites</b>	
AM Paper	0.0132
Baglan Bay PG	0.0076
Barking PG	0.0132
BASF Teesside	0.0001
BP Grangemouth	0.0001
BP Saltend HP	0.0001
Bridgewater Paper	0.0161
Brigg PG	0.0042
Brimsgate PG	0.0143
Brunner Mond	0.0137
Connahs Quay PS	0.0157
Corby PS	0.0107
Coryton PG	0.0134
Cottam PG	0.0051
Damhead Creek	0.0129
Deeside PS	0.0160
Didcot PS	0.0194
Goole Glass	0.0031
Great Yarmouth	0.0012
Hays Chemicals	0.0149
ICI Runcorn	0.0177
Immingham PG	0.0002
Keadby PS	0.0042
Kemira Ince CHP	0.0174
Kings Lynn PS	0.0063
Langage PG	0.0314
Little Barford PS	0.0124
Longannet	0.0001
Marchwood	0.0239
Medway PS	0.0128
Peterborough PS	0.0082
Peterhead PG	0.0001
Phillips Seal Sands	0.0001
Rocksavage PG	0.0177
Rosecote PS	0.0014
Rye House PS	0.0150
Saltend	0.0001
Sappi Paper Mill	0.0098
Seabank PG	0.0240
Sellafield PS	0.0001
Shotton Paper	0.0168
Spalding PG	0.0064
Stallingborough PS	0.0011
Staythorpe	0.0027
Sutton Bridge PS	0.0076
Teesside Hydrogen	0.0001
Teesside PS	0.0005
Terra Billingham	0.0005
Terra Severnside	0.0239
Thornton Curtis PG	0.0002
Zeneca	0.0001

**Indicative NTS TO Exit Capacity Charges (continued)**

<b>Invoice</b>	<b>Charge Code</b>
CAP	NDX (DM)

	<b>Pence per peak day kWh per day</b>
<b>Interconnectors</b>	
Bacton I/C	0.0012
Moffat I/C	0.0001
<b>Storage Sites</b>	
Avonmouth LNG	0.0240
Barton Stacey	0.0230
Dynevor Arms LNG	0.0092
Garton (MRS)	0.0001
Glenmavis	0.0001
Hatfield Moor (MRS)	0.0038
Holehouse Farm	0.0148
Hornsea (MRS)	0.0001
Partington	0.0134
Rough	0.0001