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Dear Stuart,

Indicative Notice of Revised Gas NTS Charges to apply from 1 April 2010

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 1st April 2010. The notice of the actual charges will be published by 1st February 2010, 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 1st April 2010.

The **NTS TO Commodity Charge** levied on entry flows is estimated to decrease from its current rate to **0.0179** p/kWh, representing a decrease of 28%. The charge has been calculated with the uncertainties around forecasting auction revenues and entry volumes. The charge is set based on the assumption that it will be applied for the full financial year and will be reassessed in October 2010, following further entry capacity auctions. Our indicative range around this charge is 0.0162 (-9%) to 0.0190 (6%) p/kWh.

The indicative level of the **NTS SO Commodity Charge**, as applied to both entry and exit flows, is **0.0176** p/kWh (a decrease of 3%). Although we forecast an increased allowed SO income largely due to increases in the cost of shrinkage and additional incremental entry capacity incentive revenue, the charging base is expected to be larger. We believe that the variation in our estimate of this charge is in the region of -10% / +20%.

National Grid is currently in the process of reviewing metering errors affecting a number of offtakes and sites connected to the NTS, details of which were presented at an Extraordinary Offtake Arrangements Workstream on 16th October 2009. The effects of this have not been included in the indicative charges as further investigations are required to assess the scale of the errors. Any adjustments to National Grid's shrinkage costs as a result of this error will ultimately feed through to the SO Commodity charge. Further information relating to this will be provided as it becomes available.

The **Compression Charge** levied at the Total Oil Marine (TOM) sub-terminal at St. Fergus is expected to increase to an indicative level of **0.0083** p/kWh an increase of 34%. This compares to an average rate of 0.0076 p/kWh during 2009/10. Compressor fuel costs remain the significant component of this charge and the indicative charge is based on our present view of forward fuel prices. However, the main driver of the rate increase is a forecast of reduced volumes through the TOM sub-terminal. We estimate the range on this charge to be -10% / +20%.

The **CSEP administration charge** has been reviewed and the indicative rate is a small increase from 0.1185 to **0.1233** pence per supply point per day (**£0.45** per annum). Other administration charges (those for allocation of shared supply meter points and interconnector arrangements) are being reviewed.

Other supporting charge setting information will also be available on the National Grid website at <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>.

For the avoidance of doubt, NTS Exit Capacity charges will not change in April 2010.

If you have any questions about this Notice, or NTS charges in general, please contact myself or the Charging and Revenue Team on 01926-654633.

Adam Brown
Revenue Manager