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31st January 2011

Dear Hannah,

Notice of Revised Gas Transmission Transportation Charges from 1st April 2011

Following our letter dated 3 November 2010 'Indicative notice of NTS Charges to apply from 1st February 2011 and 1st April 2011' (the Indicative Notice) National Grid is publishing this notice of revised transmission charges two months in advance of the changes, consistent with our Licence and Uniform Network Code obligations. The updated charges will apply to relevant gas flow allocations from 1st April 2011.

From 1 April 2011 changes will be applied to NTS charges as follows:

The **NTS TO Entry Commodity Charge** levied on entry flows will be **0.0198** p/kWh, in line with the Indicative Notice. The charge is set based on the assumption that it will be applied for the full financial year and will be reassessed in October 2011, following further entry capacity auctions.

The revised level of the **NTS SO Commodity Charge**, as applied to both entry and exit flows, is **0.0179** p/kWh which is in line with the Indicative Notice. When setting the SO Commodity Charge an assumption has been made that meter error reconciliations of c.£28m may still be collected within the financial year 2010/11. Please note that the SO Commodity Charge for 2011/12 is unaffected by the timing of existing meter reconciliation's (assuming all reconciliation revenue is recovered within 2011/12)¹.

The **Compression Charge** levied at the Total Oil Marine (TOM) sub-terminal at St. Fergus will increase to **0.0136** p/kWh an increase of 17% on the current level. The main driver for the rate increase is a forecast increase in the cost of compression fuels.

The **CSEP administration charge** has been reviewed and the final rate is a small decrease from 0.1233 to **0.1020** pence per supply point per day (**£0.37** per annum). Other administration charges (those for allocation of shared supply meter points and interconnector arrangements) will not change.

¹ Any under recovery for 2010/11 resulting from delayed meter reconciliation revenue recovery is subsequently added to the 2011/12 SO Maximum Allowed Revenue through the treatment of K factor. However the under recovery (K) is mirrored by a credit of the same amount to shrinkage costs as the meter reconciliation revenue will be collected within 2011/12 and hence the timing does not affect the SO Commodity Charge.

For the avoidance of doubt all other charges will remain unchanged from April 2011.

This notice will be made available on the National Grid website www.nationalgrid.com/uk/gas/ under Charging, Transportation Charges. In addition other supporting charge setting information will also be available on the National Grid website at www.nationalgrid.com/uk/Gas/Charges/Tools/.

Rebate of TO Entry Revenue

In the event that there is an over recovery of TO Entry revenue there are a number of mechanisms to rebate this amount to Shippers. There are three ways this can be done as described in GCM09, GCM10 and GCM12.

We are currently forecasting a residual TO Entry over recovery of c£4m for 2010/11 after the application of GCM09 and GCM10, which will be redistributed through a retrospective negative TO Commodity Charge (GCM12). The forecasted amount will be updated as further actual revenues via the TO Commodity Charge and various auctions become known. Payments are expected to be made around June 2011.

Summary of Charge Changes

	February 2011	Average for 2010/11²	April 2011 Indicative	April 2011 Final
NTS TO Entry Commodity Charge	0.0174	0.0187	0.0196	0.0198
NTS SO Commodity Charge	0.0051	0.0169	0.0174	0.0179
St. Fergus Compression Charge	0.0116	0.0095	0.0113	0.0136
CSEP Administration Charge	0.1233	0.1233	0.1020	0.1020

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.

Yours sincerely

Anne Bennett
Charging and Revenue Manager

² Calculated from the forecast annual revenue collectable from the charge and the relevant forecast annual chargeable volumes