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30th July 2010

Dear Stuart,

Notice of Revised Gas Transmission Transportation Charges from 1st October 2010

In order to bring revenue recovery from transportation charges in line with National Grid's Transmission Price Control Formulae, 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.

From 1st October 2010 changes will be applied to NTS charges as follows.

NTS TO Entry Commodity Charge

The **NTS TO Entry Commodity** charge levied on entry flows will be **0.0174** p/kWh, representing a decrease of 10%. Although there has been little change in our forecast of auction income for 2010/11, the TO entry commodity charge has fallen due to increased revenue collection during the first half of the year which has reduced the amount collectable in the second half. Also, the charging base forecast has increased for the remainder of the year, thus reducing the rate further.

NTS TO Exit Capacity Charges

The changes to the **NTS TO Exit Capacity** charges are provided in the attached table. The final charges are broadly in line with those given in the Indicative Notice provided on 18th June 2010. The charges have been derived via our Transportation Model. The model has been updated to reflect changes in demand levels, 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 5% increase in the expansion factor, which represents the change in capital costs of investment on the NTS, has effectively expanded the network thus increasing the range of exit charges albeit by a small amount.
- Peak demand forecasts have risen by 2% compared to last year. This has been driven by expected increases in demand for gas at power stations due to new loads, and increased peak levels through the Moffat Interconnector and the LDZs.
- The increase in demand requires increases in supplies from the Milford Haven and Isle of Grain LNG importation terminals in order to balance supply and demand. The modelled network flows are similar to those in the 2009/10 model resulting in small changes in the exit capacity rates.

- The target revenue has been updated since the indicative notice provided on 18th June 2010. The target exit revenue, compared to 2009/10, has decreased which reduces all exit charges subject to those locations at minimum rates.

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 website¹.

NTS SO Commodity Charges

The revised level of the **NTS SO Commodity** charge, as applied to both entry and exit flows, is **0.0192** p/kWh, a decrease of 2%, which is broadly in line with the indicative level. Although there is relatively little change in this charge there have been movements in the SO allowed and the collected revenue, in particular:

- Shrinkage costs have risen mainly due to increased volumes of unaccounted for gas (UAG) and own use gas (OUG). OUG has risen as a result of lower volumes entering the NTS at the LNG terminals causing more to flow from St. Fergus.
- The increase in shrinkage costs has been offset by the inclusion of a £19m reduction in the SO allowed revenue due to the expected reconciliation of metering errors. We have included as much of the expected adjustment as possible in the October price change but, as reconciliation process has yet to conclude, further adjustments in future charging updates may be required when the actual error magnitudes are known.
- There has been an increase in the charging base following revised demand forecasts, which is applied in the second half of the year.

The **St. Fergus Compression charge** levied at the Total Oil Marine (TOM) sub-terminal at St. Fergus will increase to **0.0138** p/kWh, a rise of 156% on the current charge and marginally outside the indicative range provided. This compares with the indicative level of 0.0102 p/kWh and an average rate of 0.0096 p/kWh for the financial year 2010/11. The increase in the charge when compared to indicative charges has been caused by:

- Increases in the wholesale price of gas and compressor fuel volumes, which has resulted in an increase in our forecast of the total cost of compression at St Fergus for the financial year.
- The current St. Fergus Compression charge applied between April and October does not take into account the increase in total compression costs.

The St. Fergus Compression charge applied from October therefore has to take into account both the increase in total compression costs and revenue recovery for the first half of the year.

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

Please find attached a copy of our document "Notice of Gas Transmission Transportation Charges effective from 1st October 2010", which contains all of the above price changes. This document will also be available on the National Grid website www.nationalgrid.com/uk/gas/ under Charging, Transportation Charges.

Other supporting charge setting information is also available on the National Grid website¹.

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.

Anne Bennett
Charging and Revenue Manager

¹ <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>

NTS TO Exit Capacity Charges

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

Pence per peak day kWh per day

Network	DN Exit Zone	Current	Effective from 1 October 2010	Change	% Change
East of England	EA1	0.0054	0.0042	-0.0012	-22%
	EA2	0.0061	0.0049	-0.0012	-20%
	EA3	0.0013	0.0001	-0.0012	-92%
	EA4	0.0114	0.0100	-0.0014	-12%
	EM1	0.0001	0.0001	0.0000	0%
	EM2	0.0044	0.0030	-0.0014	-32%
	EM3	0.0148	0.0139	-0.0009	-6%
	EM4	0.0103	0.0092	-0.0011	-11%
North of England	NE1	0.0057	0.0045	-0.0012	-21%
	NE2	0.0010	0.0006	-0.0004	-40%
	NE3	0.0001	0.0001	0.0000	0%
	NO1	0.0046	0.0035	-0.0011	-24%
	NO2	0.0054	0.0033	-0.0021	-39%
London	NT1	0.0201	0.0195	-0.0006	-3%
	NT2	0.0119	0.0109	-0.0010	-8%
	NT3	0.0114	0.0103	-0.0011	-10%
North West	NW1	0.0158	0.0142	-0.0016	-10%
	NW2	0.0202	0.0189	-0.0013	-6%
Scotland	SC1	0.0001	0.0001	0.0000	0%
	SC2	0.0001	0.0001	0.0000	0%
	SC4	0.0002	0.0001	-0.0001	-50%
South of England	SE1	0.0144	0.0136	-0.0008	-6%
	SE2	0.0201	0.0195	-0.0006	-3%
	SO1	0.0148	0.0139	-0.0009	-6%
	SO2	0.0230	0.0224	-0.0006	-3%
Wales & the West	SW1	0.0158	0.0150	-0.0008	-5%
	SW2	0.0235	0.0230	-0.0005	-2%
	SW3	0.0341	0.0340	-0.0001	0%
	WA1	0.0229	0.0225	-0.0004	-2%
	WA2	0.0090	0.0079	-0.0011	-12%
West Midlands	WM1	0.0187	0.0180	-0.0007	-4%
	WM2	0.0154	0.0146	-0.0008	-5%
	WM3	0.0139	0.0130	-0.0009	-6%

NTS TO Exit Capacity Charges continued

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

Pence per peak day kWh per day

NTS Sites	Site Name as NTS Licence Special Condition C8E	Current	Effective from 1 October 2010	Change	% Change
Baglan Bay PG	Tonna (Baglan Bay)	0.0068	0.0055	-0.0013	-19%
Barking PG	Barking (Horndon)	0.0117	0.0107	-0.0010	-9%
Billingham ICI	Billingham ICI (Terra Billingham)	0.0060	0.0048	-0.0012	-20%
BP Grangemouth	Blackness (BP Grangemouth)	0.0001	0.0001	0.0000	0%
BP Saltend HP	Saltend BPHP (BP Saltend HP)	0.0001	0.0001	0.0000	0%
Bridgewater Paper	Shotwick (Bridgewater Paper)	0.0227	0.0215	-0.0012	-5%
Brigg PG	Blyborough (Brigg)	0.0032	0.0018	-0.0014	-44%
Brimsgate PG	Epping Green (Enfield Energy, aka Brimsgate)	0.0131	0.0112	-0.0019	-15%
Brunner Mond	Pickmere (Winnington Power, aka Brunner Mond)	0.0200	0.0187	-0.0013	-6%
Centrax	Centrax Industrial	0.0333	0.0333	0.0000	0%
Connahs Quay PS	Burton Point (Connahs Quay)	0.0224	0.0211	-0.0013	-6%
Corby PS	Caldecott (Corby Power Station)	0.0101	0.0090	-0.0011	-11%
Coryton PG	Stanford Le Hope (Coryton)	0.0120	0.0110	-0.0010	-8%
Cottam PG	Blyborough (Cottam)	0.0042	0.0028	-0.0014	-33%
Damhead Creek	Middle Stoke (Damhead Creek, aka Kingsnorth PS)	0.0112	0.0102	-0.0010	-9%
Deeside PS	Deeside	0.0227	0.0215	-0.0012	-5%
Didcot PS	Didcot B	0.0183	0.0151	-0.0032	-17%
Goole Glass	Goole (Guardian Glass)	0.0029	0.0014	-0.0015	-52%
Grain Gas	Grain Power Station	0.0112	0.0102	-0.0010	-9%
Great Yarmouth	Bacton (Great Yarmouth)	0.0001	0.0001	0.0000	0%
Hays Chemicals	Hollingsgreen (Hays Chemicals) Weston Point (Castner Kelner, aka ICI Runcorn)	0.0211	0.0199	-0.0012	-6%
ICI Runcorn	Thornton Curtis (Humber Refinery, aka Immingham)	0.0245	0.0234	-0.0011	-4%
Immingham PG	Eastoft (Keadby and Keadby Blackstart)	0.0001	0.0001	0.0000	0%
Keadby PS	Shellstar (aka Kemira, not Kemira CHP)	0.0040	0.0026	-0.0014	-35%
Kemira Ince	Saddle Bow (Kings Lynn)	0.0241	0.0230	-0.0011	-5%
Kings Lynn PS	Langage Power Station	0.0045	0.0031	-0.0014	-31%
Langage PG	St. Neots (Little Barford)	0.0362	0.0364	0.0002	1%
Little Barford PS	Gowkhall (Longannet)	0.0110	0.0070	-0.0040	-36%
Longannet	Marchwood Power Station	0.0001	0.0001	0.0000	0%
Marchwood	Medway (aka Isle of Grain PS, NOT Grain Power)	0.0238	0.0234	-0.0004	-2%
Medway PS	Upper Neeston (Milford Haven Refinery)	0.0111	0.0101	-0.0010	-9%
Milford Haven Refinery	Peterborough (Peterborough Power Station)	0.0001	0.0001	0.0000	0%
Pembroke PS	St. Fergus (Peterhead)	-	0.0001	-	-
Peterborough PS	Phillips Petroleum, Teeside	0.0065	0.0052	-0.0013	-20%
Peterhead PG	Weston Point (Rocksavage)	0.0001	0.0001	0.0000	0%
Phillips Seal Sands	Roosecote (Roosecote Power Station)	0.0054	0.0041	-0.0013	-24%
Rocksavage PG	Ryehouse	0.0245	0.0234	-0.0011	-4%
Roosecote PS	Rosehill (Saltend Power Station)	0.0073	0.0054	-0.0019	-26%
Ryehouse PS	Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	0.0136	0.0116	-0.0020	-15%
St. Fergus Site	Abson (Seabank Power Station phase I) Seabank (Seabank Power Station phase II)	0.0001	0.0001	0.0000	0%
Saltend	Sellafield Power Station	0.0001	0.0001	0.0000	0%
Sappi Paper Mill	Harwarden (Shotton, aka Shotton Paper)	0.0156	0.0141	-0.0015	-10%
Seabank Power	Wragg Marsh (Spalding)	0.0224	0.0219	-0.0005	-2%
Seabank Power II		0.0242	0.0238	-0.0004	-2%
Sellafield PS		0.0114	0.0096	-0.0018	-16%
Shotton Paper		0.0224	0.0212	-0.0012	-5%
Spalding PG		0.0056	0.0042	-0.0014	-25%

Indicative NTS TO Exit Capacity Charges (continued)

Invoice	Charge Code
CAP	NDX (DM)

Pence per peak day kWh per day

NTS Sites	Site Name as NTS Licence Special Condition C8E	Current	Effective from 1 October 2010	Change	% Change
Stallingborough PS	Stallingborough (phase 1 and 2)	0.0001	0.0001	0.0000	0%
Staythorpe	Staythorpe PH1 and PH2	0.0071	0.0002	-0.0069	-97%
Sutton Bridge PS	Sutton Bridge Power Station	0.0058	0.0045	-0.0013	-22%
Teesside BASF	Teesside (BASF, aka BASF Teesside)	0.0054	0.0041	-0.0013	-24%
Teesside Hydrogen	Teesside Hydrogen	0.0054	0.0041	-0.0013	-24%
Teesside PS	Enron Billingham	0.0061	0.0048	-0.0013	-21%
Thornton Curtis PG	Thornton Curtis (Killingholme)	0.0001	0.0001	0.0000	0%
West Burton PS		-	0.0028	-	-
Zeneca	Zeneca (ICI Avecia, aka 'Zenica')	0.006	0.0048	-0.0012	-20%

Interconnectors	Site Name as NTS Licence Special Condition C8E	Current	Indicative from 1 October 2010	Change	% Change
Bacton Interconnector	Bacton (IUK)	0.0001	0.0001	0.0000	0.0%
Moffat	Moffat (Irish Interconnector)	0.0006	0.0001	-0.0005	-83.3%

Storage Sites	Site Name as NTS Licence Special Condition C8E	Current	Indicative from 1 October 2010	Change	% Change
Avonmouth LNG	Avonmouth Max Refill	0.0242	0.0238	-0.0004	-2%
Barton Stacey	Barton Stacey Max Refill (Humbly Grove)	0.0221	0.0216	-0.0005	-2%
Caythorpe	Caythorpe	0.0008	0.0001	-0.0007	-88%
Cheshire (MRS)	Cheshire	0.0207	0.0194	-0.0013	-6%
Dynevor Arms LNG	Dynevor Max Refill	0.0085	0.0074	-0.0011	-13%
Fleetwood		0.0145	0.0129	-0.0016	-11%
Garton (MRS)	Garton Max Refill (Aldbrough)	0.0001	0.0001	0.0000	0%
Glenmavis	Glenmavis Max Refill	0.0001	0.0001	0.0000	0%
Hatfield Moor (MRS)	Hatfield Moor Max Refill	0.0036	0.0019	-0.0017	-47%
Holehouse Farm (MRS)	Hole House Max Refill	0.0214	0.0202	-0.0012	-6%
Hornsea (MRS)	Hornsea Max Refill	0.0001	0.0001	0.0000	0%
Partington	Partington Max Refill	0.0194	0.0180	-0.0013	-7%
Rough	Rough Max Refill	0.0001	0.0001	0.0000	0%

Note: Site/Offtake names, as given in the Licence, have been added to the table for reference and clarification.