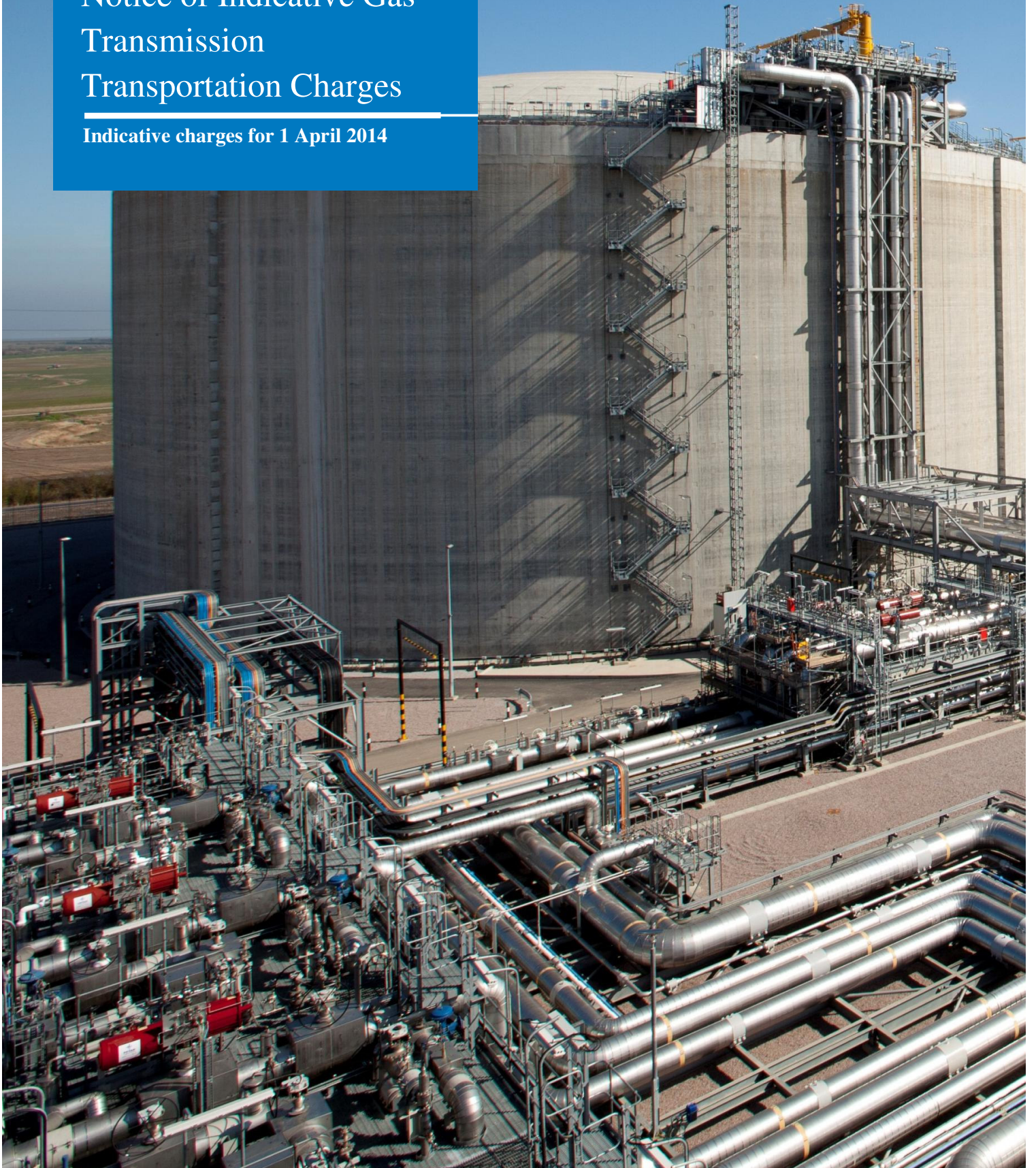


Notice of Indicative Gas
Transmission
Transportation Charges

Indicative charges for 1 April 2014



Introduction

NTS Charges to Apply From 1 April 2014

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 at least 150 days notice of changes to its gas transportation charges (the 'indicative' notice). This notice is issued with respect to changes that will apply from 1 April 2014. Notice of the actual charges will be published by 1 February 2014, to provide the two months notice required by the Licence and Network Code obligations.

This notice is split into four parts:

- **TO Charges**
 - TO Entry and Exit Commodity
 - DN Pension Deficit
- **SO Charges**
 - SO Entry and Exit Commodity
 - St Fergus Compression
 - Connected System Exit Points Administration
- **Tools and Supporting Information**
- **Appendices**

Basis of preparing Indicative charges

National Grid sets its charges to recover the price controlled allowances set by Ofgem. The current price control RIIO-T1 applies from 1 April 2013.

Charging Base

As in previous years we have used the 'Gone Green' forecasts from the forecast Demand Statements published by National Grid, which assumes that the environmental targets set by the government are met i.e. 15% of all energy from renewable sources by 2020, greenhouse gas emissions meeting the carbon budgets out to 2027, and an 80% reduction in greenhouse gas emissions by 2050. For 2014/15 the charging base (gas flows) is forecast to decrease compared to that forecast for 2013/14. However, taking into account the actual flows from 2013/14 to date, the charging base for 2014/15 are a little higher (2%) than our latest view of 2013/14 demands.

This is based on a view that gas fired power generation will increase during in 2013 following coal plant closures due to the governments Large Combustion Plant Directive (LCPD). However, overall gas demand remains low due to favourable coal prices and increasing renewable generation.

For a set target revenue recovery, charges are lowered with a larger charging base. Our assumptions will be revisited before confirming final charges at the end of January 2014.

TO Charges

TO Allowed Revenues

One of the principles behind the RIIO-T1 Price Control is that any changes to certain input assumptions (such as the corporation tax rate and cost of debt), would amend the allowed revenue through an annual iteration of Ofgem's Price Control Financial Model (PCFM) each November. These changes are captured via the MOD term in the base TO allowed revenue and will impact the following year's TO allowed revenue. The timing of this information is too late for this Indicative Notice, but will be available for the Final charge setting for April 2014.

Hence currently there is a degree of uncertainty about the revenues National Grid will be allowed to recover during 2014/15.

TO allowed revenue (which is shared 50:50 between entry and exit activities) has increased from the 2013/14 level of £621.8m to a level of £698.4m, an increase of £76.6m (12%). The details behind this increase are listed below:

- Base Price Control Revenue has increased by £26m due mainly to inflation. National Grid is awaiting determination of the MOD value (due late November/early December) from Ofgem and the determination will impact the April prices. For the purpose of Indicative charges we have assumed a value of zero for this term.
- Funding of independent systems was excluded from the TO allowed revenue in 2013/14 as National Grid was awaiting an Ofgem direction on how this income would be recovered. However, the second year of the price control allows for the collection of the revenue from year 1 and year 2 (£28m).
- National Grid has a Licence Condition relating to a National Innovation Competition (NIC) which allows for funding of innovative low carbon or environmental projects. Ofgem will issue a direction (the Funding Direction) that will set the total amount that can be recovered from or returned to GB customers through NTS charges to cover Gas NIC Funding (NICF) in each year. We have assumed an NICF of £22m for 2014/15.
- With a zero value for K for 2014/15 under RIIO, the under or over recovery factor (K) from 2013/14 will carry over with a 2 year lag. The change for K is therefore equivalent to a reduction of revenues (£1m).
- DN Pension costs which remain within the TO allowed and are directly recovered from the DNPs, will increase by an inflationary factor (£1.4m)

The net effect on collectable income from TO charges is an increase of £75m compared to 2013/14.

A summary table of Allowed Revenues is shown in Appendix 1 of this document.

TO Charges

NTS TO Entry Commodity Charge

The NTS TO Entry Commodity charge levied on entry flows is estimated to increase to 0.0294 p/kWh from its current rate of 0.0249 p/kWh and an average rate for 2013/14 of 0.0247 p/kWh, representing an increase of 18% and 19% respectively. With auction income forecast to rise by £2m in 2014/15, the increase in this rate is primarily due to the increase in the revenue that we are seeking to recover from TO Entry charges.

Given the uncertainty around the TO allowed revenue we have calculated the range may vary from 0.0208 p/kWh (-5%) to 0.0308 p/kWh (5%) when compared to our forecast.

NTS TO Exit Commodity Charge

The TO Exit Commodity charge, which was introduced in October 2012, is expected to increase from its current rate of 0.0117 p/kWh to 0.0159 p/kWh, an increase of 36%.

The charge has increased due to:

- The increase in TO Allowed revenue which impacts 50:50 on Entry and Exit charges.
- The revenue this charge recovers is largely dependent on the proportion of Baseline Exit Capacity that has been booked. Following the July 2013 Application Window booking levels for 2014/15 have fallen and are 8% less than the level for 2013/14. This means that the charge needs to recover a larger revenue shortfall.

As the TO Exit Commodity charge is a residual charge to enable National Grid to collect the correct TO Exit income from exit shippers when capacity has not been booked up to the Baseline, it is dependent on the level of Exit Capacity bookings and Exit Capacity charges. Indicative Exit Capacity charges for 2014/15 were published on 1 May 2013. To calculate the Indicative rate of the TO Exit Commodity charge for April 2014, a revised set of 'indicative' TO Exit Capacity charges based on our current forecasts of TO revenue. For reference these can be found in Appendix 2, however, they **do not** replace those that were published on 1 May 2013 and utilised for user commitment in the 2013 Exit Capacity Application Window.

NTS Exit Capacity charges

NTS Exit Capacity charges are normally updated once a year effective from October.

In order to calculate the indicative TO Exit Capacity Commodity rate to account for changes to revised TO allowed revenue, a revised set of 'indicative' TO Exit Capacity charges for 2014/15 have been calculated and used in the charge setting process. For reference these can be found in Appendix 2, however, they **do not** replace those that were published on 1 May 2013 and utilised for user commitment in the 2013 Exit Capacity Application Window.

TO Charges

DN (Distribution Network) Pension Deficit Charge

The Indicative DN Pension Deficit charges are shown in Table 1 below.

Table 1 DN Pension Deficit charge

Distribution Network	1 April 2014	
	Monthly Charge £	per Annum £m
East of England	651,083	7.81
London	380,633	4.57
North West	440,733	5.29
West Midlands	320,533	3.85
North of England	410,683	4.93
Scotland	280,467	3.37
South of England	661,100	7.93
Wales and the West	390,650	4.69

A summary of TO Commodity charges can be found in Appendix 3.

SO Charges

SO Allowed Revenues

The SO allowed revenue has increased from the 2013/14 level of £362.3m (at Indicative 1 February 2014 charge setting) to a level of £367.2m, an increase of £4.9m (1%).

NTS SO Commodity Charges

The Indicative level of the NTS SO Commodity charge, as applied to both entry and exit flows, is 0.0223 p/kWh compared to the current rate of 0.0251 p/kWh (and an Indicative 1 February 2014 rate of 0.0173 p/kWh) and an average rate for 2013/14 of 0.0206 p/kWh, taking into account the price change in February 2014.

The increase in this rate is caused primarily by the higher SO allowed revenue. Compared to 2013/14 (at February 2014 indicative stage), the main changes are:

- External costs have been forecast to decrease by £4m to £141m, mainly caused by a decrease in shrinkage costs. Uncertainty is primarily driven by the price of gas and throughput volumes.
- The reconciliation of the Aberdeen meter error is assumed to happen in Q4 2013/14 at a value of c. £18m. With no such equivalent credit expected to take place in 2014/15 this is equivalent to an increase in the amount recovered by the SO Commodity charge by £18m compared to 2013/14.
- There was a £9m allowance that could be recovered in year 1 of RIIO relating to 2012/13. Any permit revenue relating to 2013/14 will be recovered in 2015/16 therefore 2014/15 will have no value for Permits due to the two year lag. Comparing allowed revenues 2013/14 to 2014/15 this shows as a relative reduction to overall revenues of £9m.

The main uncertainty around this charge is the value of shrinkage costs. To reflect this we estimate a variation of around -10% / +10% around our forecast.

Other Charges

- The **St Fergus Compression** charge levied at the Total Oil Marine (TOM) sub-terminal at St. Fergus is expected to increase from the Indicative February 2014 rate to an April 2014 Indicative level of 0.0169 p/kWh, an increase of 66%. However, this compares to an average rate of 0.0173 p/kWh during 2013/14, this is a decrease of 2%. The decrease in the average annual rate is due to a combination of forecast decreased compressor fuel use and a forecast reduction in energy costs. We estimate the range on this charge to be -20% / +20%. The charge is set based on the assumption that it will be applied for the full financial year but will be reassessed in October 2014.
- The **Connected System Exit Points (CSEP) Administration** charge is expected to reduce to 0.0935 p/day (or £0.34 pa) per supply point in April 2014.

A summary of the SO charges can be found in Appendix 3.

Supporting Information

Supporting Information

Guidance and supporting charge setting information will be made available on the National Grid website at <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>. There will be an opportunity to discuss these changes at a subsequent NTS Charging Methodology Forum (NTSCMF), details of which can be found at <http://www.nationalgrid.com/uk/Gas/Charges/TCMF/>.

If you are unable to attend NTSCMF; would prefer to obtain information about our charges via a different route; or would like to provide feedback on how we present and explain changes to our charges, we would welcome any suggestions that would enable us to help.

Getting in touch

If you have any questions or feedback about this document, or NTS charges in general, please contact Colin Williams (01926 655916) or Karin Elmhirst (01926 655540) or email the charging team at box.transmissioncapacityandcharging@nationalgrid.com.

For an overview of our commitment to customers, please see:

<http://www.nationalgrid.com/uk/EnergyandServices/TransmissionCustomerCommitment/>

Appendix 1

Allowed Revenues

	£m		
	2013/14 Inc Feb 14 Indicative	2014/15 at Apr 14 Indicative	Change
TO Maximum Allowed Revenue	621.8	698.4	76.6
SO Maximum Allowed Revenue	362.3	367.2	4.9
NTS TO Entry Commodity	177.9	208.7	30.8
NTS TO Exit Commodity	79.4	111.7	32.3
NTS SO Commodity (Entry & Exit)	298.0	314.5	16.5
St. Fergus Compression	16.8	15.0	-1.8

Appendix 2

'Indicative' NTS Exit Capacity charges at October 2014

Revised 'indicative' NTS Exit Capacity charges at October 2014 based on forecast allowed revenue as shown in Appendix 1.

Please note they do not replace those that were published on 1 May 2013 and utilised for user commitment in the 2013 Exit Capacity Application Window.

Offtake	p/kWh/d
Bacton	0.0005
Brisley	0.0035
Cambridge	0.0104
Great Wilbraham	0.0094
Matching Green	0.0138
Peterborough Eye (Tee)	0.0094
Roudham Heath	0.0053
Royston	0.0114
Whitwell	0.0135
West Winch	0.0061
Yelverton	0.0030
Alrewas (EM)	0.0187
Blaby	0.0148
Blyborough	0.0061
Caldecott	0.0123
Thornton Curtis (DN)	0.0005
Drointon	0.0199
Gosberton	0.0072
Kirkstead	0.0050
Market Harborough	0.0135
Silk Willoughby	0.0063
Sutton Bridge	0.0081
Tur Langton	0.0137
Walesby	0.0024

Appendix 2

Offtake	p/kWh/d
Asselby	0.0041
Baldersby	0.0057
Burley Bank	0.0079
Ganstead	0.0002
Pannal	0.0084
Pauli	0.0001
Pickering	0.0053
Rawcliffe	0.0043
Towton	0.0065
Bishop Auckland	0.0036
Coldstream	0.0016
Corbridge	0.0067
Cowpen Bewley	0.0014
Elton	0.0027
Guyzance	0.0039
Humbleton	0.0011
Keld	0.0139
Little Burdon	0.0031
Melkinthorpe	0.0131
Saltwick Pressure Controlled	0.0053
Saltwick Volumetric Controlled	0.0053
Thrintoft	0.0050
Towlaw	0.0057
Wetheral	0.0104
Horndon	0.0119
Luxborough Lane	0.0146
Peters Green	0.0139
Peters Green South Mimms	0.0139
Winkfield (NT)	0.0234

Appendix 2

Offtake	p/kWh/d
Audley (NW)	0.0237
Blackrod	0.0206
Ecclestone	0.0273
Holmes Chapel	0.0251
Lupton	0.0167
Malpas	0.0258
Mickle Trafford	0.0271
Partington	0.0261
Samlesbury	0.0191
Warburton	0.0259
Weston Point	0.0282
Aberdeen	0.0001
Armadale	0.0001
Balgray	0.0001
Bathgate	0.0001
Burnervie	0.0001
Broxburn	0.0007
Careston	0.0001
Drum	0.0001
St Fergus	0.0001
Glenmavis	0.0004
Hume	0.0027
Kinknockie	0.0001
Langholm	0.0078
Lauderhill	0.0039
Lockerbie	0.0067
Netherhowcleugh	0.0047
Pitcairngreen	0.0001
Soutra	0.0045

Appendix 2

Offtake	p/kWh/d
Stranraer	0.0055
Farningham	0.0120
Farningham B	0.0120
Shorne	0.0109
Tatsfield	0.0139
Winkfield (SE)	0.0234
Braishfield A	0.0273
Braishfield B	0.0273
Crawley Down	0.0258
Hardwick	0.0177
Ipsden	0.0212
Ipsden 2	0.0212
Mappowder	0.0232
Winkfield (SO)	0.0234
Aylesbeare	0.0256
Cirencester	0.0140
Coffinswell	0.0285
Easton Grey	0.0146
Evesham	0.0108
Fiddington	0.0094
Ilchester	0.0209
Kenn	0.0268
Littleton Drew	0.0155
Lyneham (Choakford)	0.0315
Pucklechurch	0.0164
Ross (SW)	0.0063
Seabank (DN)	0.0185
Alrewas (WM)	0.0187
Aspley	0.0220

Appendix 2

Offtake	p/kWh/d
Audley (WM)	0.0237
Austrey	0.0180
Leamington	0.0136
Lower Quinton	0.0120
Milwich	0.0206
Ross (WM)	0.0063
Rugby	0.0148
Shustoke	0.0193
Stratford-upon-Avon	0.0121
Maelor	0.0267
Dowlais	0.0018
Dyffryn Clydach	0.0001
Gilwern	0.0031
Ferry Knoll (AM Paper)	0.0232
Tonna (Baglan Bay)	0.0001
Barking (Horndon)	0.0119
Barrow (Black Start)	0.0129
Billingham ICI (Terra Billingham)	0.0017
Bishop Auckland (test facility)	0.0036
Blackness (BP Grangemouth)	0.0001
Saltend BPHP (BP Saltend HP)	0.0001
Shotwick (Bridgewater Paper)	0.0280
Blyborough (Brigg)	0.0071
Epping Green (Enfield Energy, aka Brimsdown)	0.0149
Brine Field (Teesside) Power Station	0.0009
Pickmere (Winnington Power, aka Brunner Mond)	0.0262
Carrington (Partington) Power Station	0.0261
Centrax Industrial	0.0283
Cockenzie Power Station	0.0001

Appendix 2

Offtake	p/kWh/d
Burton Point (Connahs Quay)	0.0284
Caldecott (Corby Power Station)	0.0127
Stanford Le Hope (Coryton)	0.0116
Coryton 2 (Thames Haven) Power Station	0.0116
Blyborough (Cottam)	0.0061
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	0.0094
Deeside	0.0285
Didcot PS	0.0215
Drakelow Power Station	0.0182
Enron Billingham	0.0017
Goole (Guardian Glass)	0.0044
Grain Power Station	0.0094
Bacton (Great Yarmouth)	0.0005
Hatfield Power Station	0.0043
Hollingsgreen (Hays Chemicals)	0.0250
Weston Point (Castner Kelner, aka ICI Runcorn)	0.0282
Thornton Curtis (Humber Refinery, aka Immingham)	0.0005
Eastoft (Keadby Blackstart)	0.0059
Eastoft (Keadby)	0.0059
Shellstar (aka Kemira, not Kemira CHP)	0.0278
Saddle Bow (Kings Lynn)	0.0064
Langage Power Station	0.0315
St. Neots (Little Barford)	0.0136
Gowkhall (Longannet)	0.0001
Marchwood Power Station	0.0275
Medway (aka Isle of Grain Power Station, NOT Grain Power)	0.0095
Upper Neeston (Milford Haven Refinery)	0.0001
Blackbridge (Pembroke PS)	0.0001
Peterborough (Peterborough Power Station)	0.0097

Appendix 2

Offtake	p/kWh/d
St. Fergus (Peterhead)	0.0001
Phillips Petroleum, Teesside	0.0009
Weston Point (Rocksavage)	0.0282
Kintore (Rollswood)	0.0001
Roosecote (Roosecote Power Station)	0.0129
Ryehouse	0.0154
Rosehill (Saltend Power Station)	0.0001
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	0.0195
Seabank (Seabank Power Station phase II)	0.0183
Abson (Seabank Power Station phase I)	0.0164
Sellafield Power Station	0.0173
Terra Nitrogen (aka ICI, Terra Severnside)	0.0182
Harwarden (Shotton, aka Shotton Paper)	0.0284
Wragg Marsh (Spalding)	0.0076
Spalding 2 (South Holland) Power Station	0.0076
St. Fergus (Shell Blackstart)	0.0001
Stallingborough (phase 1 and 2)	0.0015
Staythorpe PH1 and PH2	0.0092
Sutton Bridge Power Station	0.0079
Teesside (BASF, aka BASF Teesside)	0.0009
Teesside Hydrogen	0.0010
Thornton Curtis (Killingholme)	0.0005
Tilbury Power Station	0.0112
West Burton PS	0.0061
Willington Power Station	0.0197
Wyre Power Station	0.0207
Zeneca (ICI Avecia, aka 'Zenica')	0.0017
Bacton (IUK/BBL)	0.0005
Moffat (Irish Interconnector)	0.0055

Appendix 2

Offtake	p/kWh/d
Avonmouth Max Refill	0.0183
Bacton (Baird)	0.0005
Deborah Storage (Bacton)	0.0005
Barrow (Bains)	0.0129
Barrow (Gateway)	0.0129
Barton Stacey Max Refill (Humbly Grove)	0.0256
Caythorpe	0.0024
Cheshire (Holford)	0.0255
Dynevor Max Refill	0.0012
Rough Max Refill	0.0001
Garton Max Refill (Aldbrough)	0.0001
Glenmavis Max Refill	0.0004
Hatfield Moor Max Refill	0.0052
Hole House Max Refill	0.0249
Hornsea Max Refill	0.0011
Partington Max Refill	0.0261
Stublach (Cheshire)	0.0255
Saltfleetby Storage (Theddlethorpe)	0.0011
Hill Top Farm (Hole House Farm)	0.0249

Appendix 3

Summary of Commodity Charges

The table below summarises the Indicative changes to the Commodity charges being made in April 2014. A comparison between the average Commodity rate during 2013/14 and the indicative average for 2013/14 is also provided.

Charge p/kWh	Oct-13	Feb 14 Indicative	Average ¹	April 2014 Indicative	% Change...		
	(Current)		2013/14		to current	to Feb 14 Ind	to Average 2013/14
NTS TO Entry commodity	0.0249	No Change	0.0247	0.0294	18%	n/a	19%
NTS TO Exit commodity	0.0117	No Change	0.0114	0.0159	36%	n/a	39%
NTS SO commodity (Entry & Exit)	0.0251	0.0173	0.0206	0.0223	-11%	29%	8%
St. Fergus Compression	0.0205	0.0102	0.0173	0.0169	-18%	66%	-2%

¹ Calculated from the forecast annual revenue collectable from the charge and the relevant forecast annual chargeable volumes