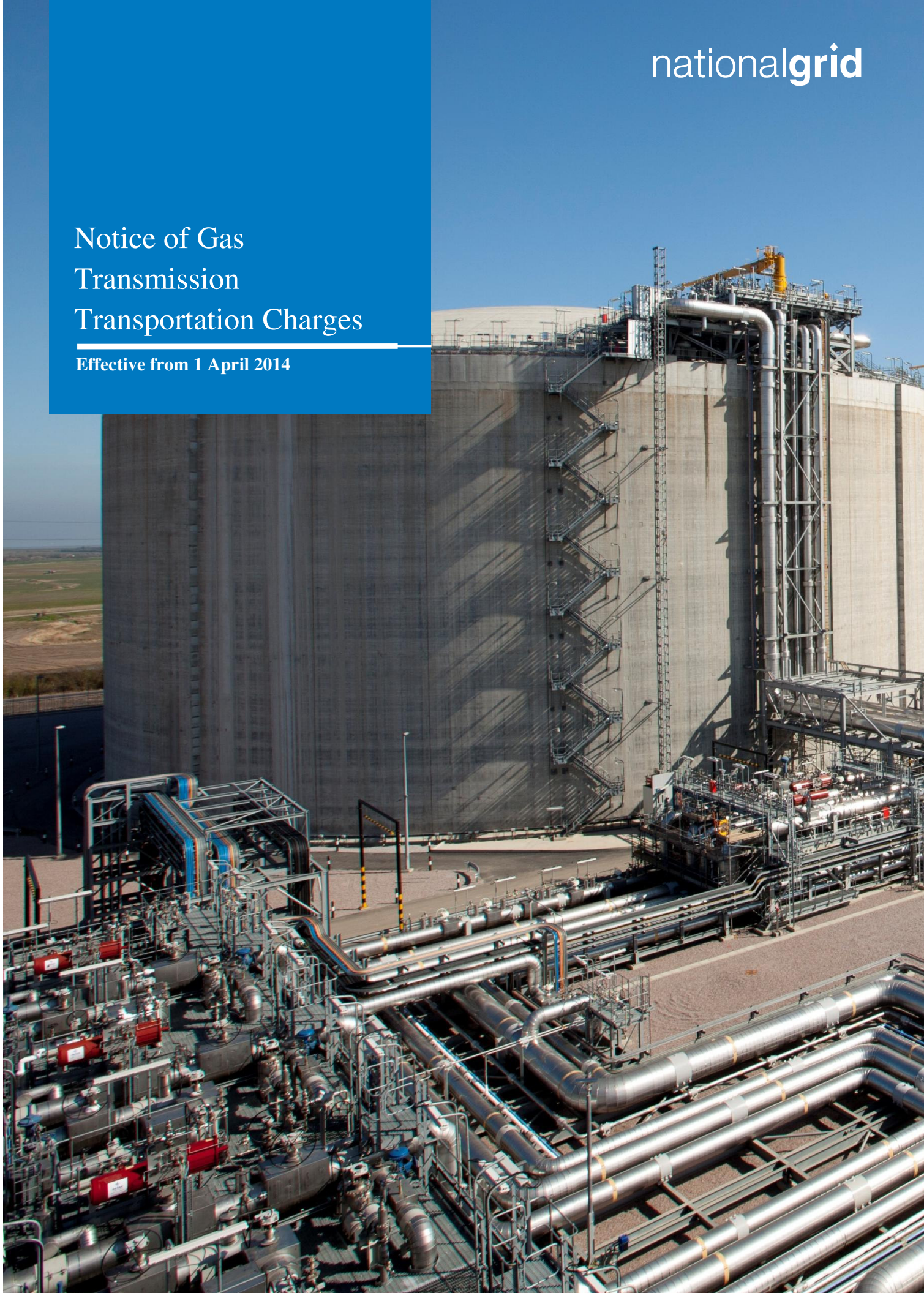


Notice of Gas
Transmission
Transportation Charges

Effective from 1 April 2014



Introduction

NTS Charges to Apply From 1 April 2014

This notice is issued in line with National Grid Gas's ("National Grid") Transporters Licence in respect of the NTS and our obligations contained in the Uniform Network Code, which requires National Grid to provide at least two months notice of changes to its gas transportation charges. This notice details changes that will apply from 1 April 2014 and follows the 'indicative notice' published on 1 November 2013.

This notice is split into four parts:

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

Basis of preparing the charges / allowed revenues

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 and runs until 31 March 2021.

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 by about 4% compared to that forecast for 2013/14.

For a set target revenue recovery, charges are lowered with a larger charging base.

TO Charges

TO Allowed Revenues

TO allowed revenue (which is shared 50:50 between entry and exit activities) has increased from the 2013/14 level of £622m to a level of £702m, an increase of £80m (13%). The details behind this increase are given below:

- Our Base Price Control Revenue has increased by £37m and is principally due to inflation (£23m) and the MOD value¹ (£9m). As mentioned in the Indicative Notice, 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 as directed by Ofgem². For the purpose of Indicative charges we assumed a value of zero for this term. Other minor changes make up the remaining £5m increase.
- 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. As per the Ofgem's direction to amend the Licence, the second year of the RIIO-T1 price control, 2014/15, allows for the collection of the revenue from year 1 and year 2 which is £28m.
- National Grid has a Licence Condition relating to a National Innovation Competition (NIC) which allows for the funding of innovative low carbon or environmental projects. Ofgem has issued a direction (the Funding Direction) that sets the total amount that can be recovered from, or returned to, GB customers through NTS charges to cover Gas NIC Funding (NICF). The value of the Funding direction for 2014/15 is £15m.
- Under RIIO, the under or over recovery factor (K), that impacts recoverable revenues in a subsequent year, from 2013/14 will carry over with a 2 year lag. Therefore there is a zero value for K for 2014/15. The change for K between 2013/14 and 2014/15 is equivalent to a reduction of revenues by £1m.
- DN Pension costs which remain within the TO allowed and are directly recovered from the Distribution Networks, will increase by an inflationary factor of £1.4m.

The net effect on collectable income from TO charges is an increase of £79m compared to 2013/14.

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

¹ The MOD term adjusts for a number of items through a consolidated change to the allowed revenue and is adjusted for inflation.

² <https://www.ofgem.gov.uk/ofgem-publications/84845/nggt2013directionpcfmvvandmod.pdf>

TO Charges

NTS TO Entry Commodity Charge

The NTS TO Entry Commodity charge levied on entry flows will increase to **0.0297** 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 19% and 20% respectively. This is in line with the Indicative value of 0.0294 p/kWh. The increase in this rate is primarily due to the increase in the revenue that we are seeking to recover from TO Entry charges.

NTS TO Exit Commodity Charge

The TO Exit Commodity charge will increase from its current rate of 0.0117 p/kWh to **0.0157** p/kWh, an increase of 34%.

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.

NTS Exit Capacity charges

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

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. A revised view of TO Exit Capacity charges based on our current forecasts of TO revenue was used to calculate the rate of the TO Exit Commodity charge for 1 April 2014. For reference the October 2014 indicative TO Exit Capacity charges 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 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	652,763	7.83
London	381,615	4.58
North West	441,870	5.30
West Midlands	321,360	3.86
North of England	411,743	4.94
Scotland	281,190	3.37
South of England	662,805	7.95
Wales and the West	391,658	4.70

Metering Charges

Meter maintenance charges will rise at the rate of inflation as in previous years. The revenue recovered will therefore increase from £1.67m to £1.72m. The rates are shown in Table 2 and Table 3 below.

Table 2 Meter Maintenance - High Pressure Metering Installations (>7 barg)

Capacity (scmh)	< 10,192	>=10,192<14,906	>=14,906<25,878	>=25,878<36,866	>=36,866<63,524	>=63,524
£ per annum Maintenance	£13,468.27	£14,290.44	£16,162.69	£16,822.30	£18,467.71	£23,853.94
Pence per day Maintenance	3,689.94	3,915.19	4,428.13	4,608.85	5,059.65	6,535.33

TO Charges

Table 3 Volume converters (Correctors)

	Pence per day	£ per annum
Provision	41.2230	£150.46
Installation	16.6175	£60.65
Maintenance	37.4550	£136.71

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

SO Charges

SO Allowed Revenues

The SO allowed revenue has decreased from the 2013/14 level of £358m (at 1 February 2014 charge setting) to a level of £357m, a reduction of £1m, and compared to the Indicative level of £367m a decrease of £10m. This is a result of a reduced forecast of external costs that have been forecast to decrease from £141m to £131m, mainly caused by a decrease in shrinkage costs for 2014/15.

NTS SO Commodity Charges

The NTS SO Commodity charge, as applied to both entry and exit flows, is **0.0215** p/kWh compared to the 1 October 2013 rate of 0.0251 p/kWh, the 1 February 2014 rate of 0.0173 p/kWh and an average rate for 2013/14 of 0.0205 p/kWh, taking into account the price change in February 2014. The revised NTS SO Commodity rate is in line with the indicative value of 0.0223 p/kWh given in the indicative notice.

Other Charges

- The **St Fergus Compression** charge levied at the Total Oil Marine (TOM) sub-terminal at St. Fergus will increase from the February 2014 rate of 0.0113 p/kWh to an April 2014 level of **0.0174** p/kWh, an increase of 54%. However, this compares to an average rate of 0.0173 p/kWh during 2013/14. 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 will 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://www2.nationalgrid.com/uk/Industry-information/System-charges/Gas-transmission/Tools-and-Models/>. 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.gasgovernance.co.uk/ntscmf>.

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://www2.nationalgrid.com/uk/Services/Transmission-customer-commitment/>

Appendix 1

Allowed Revenues

	£m			
	2013/14 Inc Feb 14	2014/15 at Apr 14 Indicative	2014/15 at April 14	Change to 2013/14
TO Maximum Allowed Revenue	622	698	702	80
SO Maximum Allowed Revenue	358	367	357	-1
NTS TO Entry Commodity	178	209	210	32
NTS TO Exit Commodity	79	112	110	31
NTS SO Commodity (Entry & Exit)	298	315	304	6
St. Fergus Compression	16.8	15.0	14.7	-2.1

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.

Exit Point	Exit Price (p/kWh/day)
ABERDEEN	0.0001
ALREWAS_EM	0.0185
ALREWAS_WM	0.0185
AM_PAPER	0.0230
ARMADALE	0.0001
ASPLEY	0.0218
ASSELBY	0.0039
AUDLEY_NW	0.0235
AUDLEY_WM	0.0235
AUSTREY	0.0178
AVONMOUTH_LNG	0.0192
AYLESBEARE	0.0265
BACTON_BAIRD	0.0003
BACTON_Deborah	0.0003
BACTON_OT	0.0003
BACTONBBLINT	0.0003
BACTONINT	0.0003
BAGLAN_BAY_PG	0.0002
BALDELSBY	0.0055
BALGRAY	0.0001
BARKING_PG	0.0141
BARROW_BAINS	0.0127
BARROW_BS	0.0127
BARROW_GATEWAY	0.0127

Appendix 2

Exit Point	Exit Price (p/kWh/day)
BARTON_STACEY_(MRS)	0.0254
BATHGATE	0.0001
BILLINGHAM_ICI	0.0014
BISHOP_AUCKLAND	0.0034
BISHOP_AUCKLAND_TEST_FACILITY	0.0034
BLABY	0.0146
BLACKROD	0.0204
BLYBOROUGH	0.0059
BP_GRANGEMOUTH	0.0001
BP_SALTEND_HP	0.0001
BRAISHFIELD_A	0.0271
BRAISHFIELD_B	0.0271
BRIDGEWATER_PAPER	0.0278
BRIGG_PG	0.0069
BRIMSDOWN_PG	0.0147
BRINE_FIELD_PS	0.0007
BRISLEY	0.0033
BROXBURN	0.0005
BRUNNER_MOND	0.0260
BURLEY_BANK	0.0077
BURNHERVIE	0.0001
CALDECOTT	0.0121
CAMBRIDGE	0.0102
CARESTON	0.0001
CARRINGTON_PS	0.0259
CAYTHORPE_(MRS)	0.0022
CENTRAX	0.0292
CHESHIRE_(MRS)	0.0253

Appendix 2

Exit Point	Exit Price (p/kWh/day)
CHOAKFORD	0.0324
CIRENCESTER	0.0149
cockenzie_PS	0.0001
COFFINSWELL	0.0294
COLDSTREAM	0.0014
CONNAHS_QUAY_PS	0.0282
CORBRIDGE	0.0065
CORBY_PS	0.0125
CORYTON_PG	0.0138
CORYTON_PG_2	0.0138
COTTAM_PG	0.0059
COWPEN_BEWLEY	0.0012
CRAWLEY_DOWN	0.0256
DAMHEAD_CREEK	0.0117
DEESIDE_PS	0.0283
DIDCOT_PS	0.0213
DOWLAIS	0.0027
DRAKELOW_PS	0.0179
DROINTON_OT	0.0197
DRUM	0.0001
DYFFRYN_CLYDACH	0.0002
DYNEVOR_ARMS_LNG	0.0021
EASINGTON&ROUGH_TERMINAL	0.0001
EASTON_GREY	0.0155
ECCLESTON	0.0271
ELTON	0.0025
ENRON_(BILLINGHAM)	0.0014
EVESHAM	0.0117

Appendix 2

Exit Point	Exit Price (p/kWh/day)
EYE	0.0092
FARNINGHAM	0.0142
FARNINGHAM_B	0.0142
FIDDINGTON	0.0103
GANSTEAD	0.0001
GARTON_(MRS)	0.0001
GILWERN	0.0040
GLENMAVIS	0.0002
GLENMAVIS_LNG	0.0002
GOOLE_GLASS	0.0042
GOSBERTON	0.0070
GRAIN_GAS	0.0117
GREAT_WILBRAHAM	0.0092
GREAT_YARMOUTH	0.0003
GUYZANCE	0.0037
HARDWICK	0.0175
HATFIELD_MOOR_(MRS)	0.0049
HATFIELD_POWER_STATION	0.0041
HAYS_CHEMICALS	0.0248
HILLTOP_FARM	0.0247
HOLEHOUSE_FARM_(MRS)	0.0247
HOLMES_CHAPEL	0.0249
HORNDON	0.0141
HORNSEA_(MRS)	0.0009
HUMBLETON	0.0009
HUME	0.0025
ICI_RUNCORN	0.0280
ILCHESTER	0.0218

Appendix 2

Exit Point	Exit Price (p/kWh/day)
IMMINGHAM_PG	0.0003
IPSDEN	0.0210
IPSDEN_2	0.0210
KEADBY_BS	0.0057
KEADBY_PS	0.0057
KELD	0.0137
KEMIRAINCE_CHP	0.0276
KENN	0.0277
KINGS_LYNN_PS	0.0059
KINKNOCKIE	0.0001
KIRKSTEAD	0.0048
LANGAGE_PG	0.0324
LANGHOLM	0.0075
LAUDERHILL	0.0037
LEAMINGTON_SPA	0.0145
LITTLE_BARFORD_PS	0.0133
LITTLE_BURDON	0.0029
LITTLETON_DREW	0.0164
LOCKERBIE	0.0065
LONGANNET	0.0001
LOWER_QUINTON	0.0129
LUPTON	0.0165
LUXBOROUGH_LANE	0.0144
MAELOR	0.0265
MALPAS	0.0256
MAPPOWDER	0.0241
MARCHWOOD	0.0273
MARKET_HARBOROUGH	0.0133

Appendix 2

Exit Point	Exit Price (p/kWh/day)
MATCHING_GREEN	0.0136
MEDWAY_PS	0.0118
MELKINTHORPE	0.0129
MICKLE_TRAFFORD	0.0269
MILFORD_HAVEN_REFINERY	0.0001
MILWICH	0.0204
MOFFAT	0.0053
NETHER_HOWCLEUGH	0.0045
PANNAL	0.0082
PARTINGTON	0.0259
PARTINGTON_LNG	0.0259
PAULL	0.0001
PEMBROKE_PG	0.0001
PETERBOROUGH_PS	0.0095
PETERHEAD_PG	0.0001
PETERS_GREEN	0.0137
PETERS_GREEN_SOUTH_MIMMS	0.0137
PHILLIPS_SEAL_SANDS	0.0007
PICKERING	0.0051
PITCAIRNGREEN	0.0001
PUCKLECHURCH	0.0173
RAWCLIFFE	0.0041
ROCKSAVAGE_PG	0.0280
rollswood Kintore	0.0001
ROOSECOTE_PS	0.0127
ROSS_SW	0.0072
ROSS_WM	0.0072
ROUDHAM_HEATH	0.0051

Appendix 2

Exit Point	Exit Price (p/kWh/day)
ROYSTON	0.0112
RUGBY	0.0157
RYE_HOUSE_PS	0.0151
SALTEND	0.0001
SALTFLEETBY	0.0009
SALTWICK_PC	0.0051
SALTWICK_VC	0.0051
SAMLESBURY	0.0188
SAPPAPERMILLCHP	0.0193
SEABANK_LDZ	0.0194
SEABANK_POWER_phase_II	0.0192
SEABANK_POWER_phase1	0.0173
SELLAFIELD_PS	0.0171
SEVERNSIDE_ICI	0.0191
SHORNE	0.0131
SHOTTON_PAPER	0.0282
SHUSTOKE	0.0191
SILK_WILLOUGHBY	0.0061
SOUTRA	0.0043
SPALDING_PG	0.0074
SPALDING_PG_2	0.0074
ST_FERGUS_BS	0.0001
ST_FERGUS_OT	0.0001
STALLINGBOROUGH	0.0013
STALLINGBOROUGH_PHASE_2	0.0013
STAYTHORPE	0.0090
STAYTHORPE_2	0.0090
STRANRAER	0.0053

Appendix 2

Exit Point	Exit Price (p/kWh/day)
STRATFORD_UPON_AVON	0.0130
STUBLACH	0.0253
SUTTON_BRIDGE	0.0079
SUTTON_BRIDGE_PS	0.0077
TATSFIELD	0.0161
TEESSIDE_BASF	0.0007
TEESSIDE_HYDROGEN	0.0007
THORNTON_CURTIS_(KILLINGHOLME)	0.0003
THORNTON_CURTIS_LDZ	0.0003
THRINTOFT	0.0048
TILBURY_PS	0.0134
TOW_LAW	0.0055
TOWTON	0.0063
TUR_LANGTON	0.0135
WALESBY	0.0022
WARBURTON	0.0257
WEST_BURTON_PS	0.0059
WEST_WINCH	0.0059
WESTON_POINT	0.0280
WETHERAL	0.0102
WHITWELL	0.0133
WILLINGTON_PS	0.0195
WINKFIELD_NT	0.0232
WINKFIELD_SE	0.0232
WINKFIELD_SO	0.0232
WYRE_PS	0.0205
YELVERTON	0.0028
ZENECA	0.0014

Appendix 3

Summary of Commodity Charges

The table below summarises the changes to the Commodity charges being made in April 2014. A comparison between the average Commodity rate during 2013/14 and the indicative rates for 2014/15 is also provided.

Charge p/kWh	Oct-13 (Current)	Feb 14	Average ³ 2013/14	April 2014 Indicative	April 2014 Final
NTS TO Entry commodity	0.0249	No Change	0.0247	0.0294	0.0297
NTS TO Exit commodity	0.0117	No Change	0.0114	0.0159	0.0157
NTS SO commodity (Entry & Exit)	0.0251	0.0173	0.0205	0.0223	0.0215
St. Fergus Compression	0.0205	0.0113	0.0173	0.0169	0.0174

³ Calculated from the forecast annual revenue collectable from the charge and the relevant forecast annual chargeable volumes