

Notice of Indicative Gas
Transmission
Transportation Charges

Indicative charges for 1 April 2015



Introduction

NTS Charges to Apply From 1 April 2015

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 2015. Notice of the actual charges will be published by 1 February 2015, 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 Point 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 2015/16 the charging base (gas flows) is forecast to decrease (-2%) compared to that forecast for 2014/15.

For a set target revenue recovery, charges are increased with a reduced charging base. Our assumptions will be revisited before confirming final charges at the end of January 2015.

TO Charges

TO Allowed Revenues

TO allowed revenue (which is shared 50:50 between Entry and Exit activities) has increased from the 2014/15 level of £702m to a level of £748m, an increase of £46m (7%). The details behind this increase are listed below:

- Base Price Control Revenue (BR) has increased by £13m due mainly to inflation. We have included within BR a forecast of the TO MOD value. The TO MOD value adjusts for a number of items through an annual iteration of Ofgem's Price Control Financial Model (PCFM) and will be confirmed by Ofgem in late November / early December. For the purpose of Indicative charges we have assumed a value of -£2.5m for the TO MOD term.
- Pass through items have been adjusted to reduce revenue by £7m to £12m. This includes an adjustment to the funding of independent systems (SIUs) following a Licence modification which allows Scotia Gas Networks to recover the additional costs in securing supplies of LNG from the Avonmouth facility for the winter of 2012/13, following closure of Glenmavis LNG facility. The value of this is £5.781m (2009/10 prices) and applies for 2015/16 only.
- National Grid has a Licence Condition relating to a National Innovation Competition (NIC) which allows funding for networks to provide innovative low carbon or environmental projects. Ofgem will issue a direction (the Funding Direction) late November / early December that will set the total amount that is to be recovered from or returned to GB customers through NTS charges to cover Gas NIC Funding (NICF) for 2015/16. We have assumed an NICF value of £15.1m for 2015/16 which is the same value as for 2014/15.
- The inclusion of stakeholder satisfaction revenue provides an increase of £3m.
- The under recovery (K) from 2013/14 carries forward with a 2 year lag to 2015/16. The value of the TO K is £37m under recovery which is equivalent to an increase in Allowed Revenues of £37m.

DN Pension costs, which are charged directly to the respective Distribution Networks (DNs) as outlined in Table 1 below, have been revised and estimated to be £50.6m in 2009/10 prices. Including inflation this equates to £62.49m for 2015/16, a £20m increase from 2014/15. Any update to this number will be included in the final charges to be issued in January 2015.

The main uncertainties around the TO Maximum Allowed Revenue relate to the MOD term and the NICF value both of which will be confirmed by Ofgem in time to set final charges for April 2015.

The net effect on collectable income from TO Commodity charges is an increase of £25.6m compared to 2014/15.

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 0.0443 p/kWh from its current rate of 0.0431 p/kWh and from an average rate for 2014/15 of 0.0382 p/kWh, representing an increase of 3% and 16% respectively. With auction income forecast to rise by £2m in 2015/16, 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 0.0409 p/kWh (-8%) to 0.0474 p/kWh (7%) when compared to our forecast.

NTS TO Exit Commodity Charge

The TO Exit Commodity charge is expected to decrease from its current rate of 0.0200 p/kWh to 0.0195 p/kWh, a decrease of 2%, but an increase on the 2014/15 average of 0.0188 p/kWh due to reduced volumes.

We estimate the range around this charge to be around +/- 15%.

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 2015/16 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 2014 and utilised for user commitment in the 2014 Exit Capacity Application Window.

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

TO Charges

DN (Distribution Network) Pension Deficit Charge

DN Pension costs have been revised and estimated to be £50.6m in 2009/10 prices and including inflation equates to £62.49m for 2015/16 that represents a £20m nominal increase to collect from the Distribution Networks. Any update to this number will be included in the final charges to be issued in January 2015.

The Indicative monthly and annual DN Pension Deficit charges for 2015/16 are shown in Table 1.

Table 1 DN Pension Deficit charges

Distribution Network	Effective from 1 April 2015	
	Monthly Charge £	per Annum £m
East of England	958,872	11.51
London	560,571	6.73
North West	649,083	7.79
West Midlands	472,060	5.66
North of England	604,827	7.26
Scotland	413,053	4.96
South of England	973,624	11.68
Wales and the West	575,323	6.90

SO Charges

SO Allowed Revenues

The SO allowed revenue has decreased by £40m from the 2014/15 level of £340m to £300m (-12%).

NTS SO Commodity Charges

The Indicative level of the NTS SO Commodity charge, as applied to both entry and exit flows, is **0.0177** p/kWh compared to the current rate of 0.0185 p/kWh and from an average rate for 2014/15 of 0.0215 p/kWh.

Compared to 2014/15 October charge setting, the main changes are:

- External costs have been forecast to increase by £15m to £129m, mainly caused by an increase in the forecast of shrinkage costs which is primarily driven by a rise in unaccounted for gas.
- Base Revenue is forecast to reduce by £21m due mainly to a revised SO MOD term and a reduction in legacy revenue drivers. The SO MOD value adjusts for a number of items through an annual iteration of Ofgem's Price Control Financial Model (PCFM) and will be confirmed by Ofgem late November / early December. For the purpose of Indicative charges we have assumed a value of -£18.5m for the SO MOD term.
- There have been several adjustments due to lower costs than our Licence allowances. In total the balance of cost adjustments and incentive revenues which are carried forward from 2013/14 is -£24m.
- A £10m over recovery (SOK) carried forward from 2013/14 reduces the SO allowed revenue in 2015/16 by £10m.

The main uncertainty around this charge is the value of shrinkage costs. To reflect this we estimate a variation of around -15% / +15% around our forecast of the SO Commodity rate.

Other Charges

- The **St Fergus Compression** charge levied at the Total Oil Marine (TOM) sub-terminal at St. Fergus is expected to increase from its current level of 0.0169 p/kWh to an Indicative level of **0.0181** p/kWh, an increase of 7% and compared to an average rate of 0.0171 p/kWh during 2014/15, this is an increase of 6%. We estimate the range on this charge to be -15% / +15% on our forecast of the St Fergus Compression charge.
- The **Connected System Exit Point (CSEP) Administration** charge is expected to reduce to **0.0910** p/day (or **£0.33** pa) per supply point in April 2015.

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.gasgovernance.co.uk/ntscmf/2014>.

If you are unable to attend NTSCMF or 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		
	2014/15 at Oct 14	2015/16 at Apr 15 Indicative	Change
TO Maximum Allowed Revenue	702.2	747.8	45.6
SO Maximum Allowed Revenue	340.1	299.5	40.6
NTS TO Entry Commodity	245.6	271.7	26.1
NTS TO Exit Commodity	117.6	117.1	-0.5
NTS SO Commodity (Entry & Exit)	248.8	214.4	34.4
St. Fergus Compression	12.7	13.8	1.1

Appendix 2

'Indicative' NTS Exit Capacity charges at October 2015

Revised 'indicative' NTS Exit Capacity charges at October 2015 based on forecast allowed revenue as shown in Appendix 1.

Please note they do not replace those that were published on 1 May 2014 and utilised for user commitment in the 2014 Exit Capacity Application Window.

Offtake	p/kWh/d
ABERDEEN	0.0001
ALREWAS_EM	0.0151
ALREWAS_WM	0.0151
AM_PAPER	0.0192
ARMADALE	0.0001
ASPLEY	0.0184
ASSELBY	0.0001
AUDLEY_NW	0.0203
AUDLEY_WM	0.0203
AUSTREY	0.0143
AVONMOUTH_LNG	0.0158
AYLESBEARE	0.0233
BACTON_BAIRD	0.0001
BACTON_Deborah	0.0001
BACTON_OT	0.0001
BACTONBBLINT	0.0001
BACTONINT	0.0001
BAGLAN_BAY_PG	0.0001
BALDELSBY	0.0017

Appendix 2

Offtake	p/kWh/d
BALGRAY	0.0001
BARKING_PG	0.0106
BARROW_BAINS	0.0085
BARROW_BS	0.0085
BARROW_GATEWAY	0.0085
BARTON_STACEY_(MRS)	0.0222
BATHGATE	0.0001
BILLINGHAM_ICI	0.0001
BISHOP_AUCKLAND	0.0001
BISHOP_AUCKLAND_TEST_FACILITY	0.0001
BLABY	0.0111
BLACKROD	0.0170
BLYBOROUGH	0.0021
BP_GRANGEMOUTH	0.0001
BP_SALTEND_HP	0.0001
BRAISHFIELD_A	0.0239
BRAISHFIELD_B	0.0239
BRIDGEWATER_PAPER	0.0247
BRIGG_PG	0.0031
BRIMSDOWN_PG	0.0111
BRINE_FIELD_PS	0.0001
BRISLEY	0.0001
BROXBURN	0.0001

Appendix 2

Offtake	p/kWh/d
BRUNNER_MOND	0.0228
BURLEY_BANK	0.0040
BURNHERVIE	0.0001
CALDECOTT	0.0085
CAMBRIDGE	0.0065
CARESTON	0.0001
CARRINGTON_PS	0.0222
CAYTHORPE_(MRS)	0.0001
CENTRAX	0.0261
CHESHIRE_(MRS)	0.0221
CHOAKFORD	0.0294
CIRENCESTER	0.0114
COCKENZIE_PS	0.0001
COFFINSWELL	0.0263
COLDSTREAM	0.0001
CONNAHS_QUAY_PS	0.0251
CORBRIDGE	0.0021
CORBY_PS	0.0089
CORYTON_PG	0.0103
CORYTON_PG_2	0.0103
COTTAM_PG	0.0021
COWPEN_BEWLEY	0.0001
CRAWLEY_DOWN	0.0225

Appendix 2

Offtake	p/kWh/d
DAMHEAD_CREEK	0.0080
DEESIDE_PS	0.0252
DIDCOT_PS	0.0180
DOWLAIS	0.0001
DRAKELOW_PS	0.0145
DROINTON_OT	0.0163
DRUM	0.0001
DYFFRYN_CLYDACH	0.0001
DYNEVOR_ARMS_LNG	0.0001
EASINGTON&ROUGH_TERMINAL	0.0001
EASTON_GREY	0.0120
ECCLESTON	0.0240
ELTON	0.0001
ENRON_(BILLINGHAM)	0.0001
EVESHAM	0.0081
EYE	0.0055
FARNINGHAM	0.0107
FARNINGHAM_B	0.0107
FIDDINGTON	0.0067
GANSTEAD	0.0001
GARTON_(MRS)	0.0001
GILWERN	0.0001
GLENMAVIS	0.0001

Appendix 2

Offtake	p/kWh/d
GLENMAVIS_LNG	0.0001
GOOLE_GLASS	0.0006
GOSBERTON	0.0032
GRAIN_GAS	0.0080
GREAT_WILBRAHAM	0.0055
GREAT_YARMOUTH	0.0001
GUYZANCE	0.0001
HARDWICK	0.0140
HATFIELD_MOOR_(MRS)	0.0011
HATFIELD_POWER_STATION	0.0003
HAYS_CHEMICALS	0.0215
HILLTOP_FARM	0.0214
HOLEHOUSE_FARM_(MRS)	0.0214
HOLMES_CHAPEL	0.0217
HORNDON	0.0106
HORNSEA_(MRS)	0.0001
HUMBLETON	0.0001
HUME	0.0001
ICI_RUNCORN	0.0249
ILCHESTER	0.0185
IMMINGHAM_PG	0.0001
IPSDEN	0.0177
IPSDEN_2	0.0177

Appendix 2

Offtake	p/kWh/d
KEADBY_BS	0.0019
KEADBY_PS	0.0019
KELD	0.0096
KEMIRAINCE_CHP	0.0244
KENN	0.0245
KINGS_LYNN_PS	0.0020
KINKNOCKIE	0.0001
KIRKSTEAD	0.0009
LANGAGE_PG	0.0294
LANGHOLM	0.0032
LAUDERHILL	0.0001
LEAMINGTON_SPA	0.0110
LITTLE_BARFORD_PS	0.0098
LITTLE_BURDON	0.0001
LITTLETON_DREW	0.0129
LOCKERBIE	0.0022
LONGANNET	0.0001
LOWER_QUINTON	0.0093
LUPTON	0.0125
LUXBOROUGH_LANE	0.0108
MAELOR	0.0233
MALPAS	0.0224
MAPPOWDER	0.0209

Appendix 2

Offtake	p/kWh/d
MARCHWOOD	0.0242
MARKET_HARBOROUGH	0.0097
MATCHING_GREEN	0.0101
MEDWAY_PS	0.0081
MELKINTHORPE	0.0088
MICKLE_TRAFFORD	0.0238
MILFORD_HAVEN_REFINERY	0.0001
MILWICH	0.0170
MOFFAT	0.0009
NETHER_HOWCLEUGH	0.0001
PANNAL	0.0044
PARTINGTON	0.0222
PARTINGTON_LNG	0.0222
PAULL	0.0001
PEMBROKE_PG	0.0001
PETERBOROUGH_PS	0.0059
PETERHEAD_PG	0.0001
PETERS_GREEN	0.0102
PETERS_GREEN_SOUTH_MIMMS	0.0102
PHILLIPS_SEAL_SANDS	0.0001
PICKERING	0.0013
PITCAIRNGREEN	0.0001
PUCKLECHURCH	0.0138

Appendix 2

Offtake	p/kWh/d
RAWCLIFFE	0.0002
ROCKSAVAGE_PG	0.0249
ROLLSWOOD	0.0001
ROOSECOTE_PS	0.0085
ROSS_SW	0.0035
ROSS_WM	0.0035
ROUDHAM_HEATH	0.0013
ROYSTON	0.0075
RUGBY	0.0122
RYE_HOUSE_PS	0.0116
SALTEND	0.0001
SALTFLEETBY	0.0001
SALTWICK_PC	0.0007
SALTWICK_VC	0.0007
SAMLESBURY	0.0154
SAPPIPAPERMILLCHP	0.0159
SEABANK_LDZ	0.0160
SEABANK_POWER_phase_II	0.0158
SEABANK_POWER_phase1	0.0138
SELLAFIELD_PS	0.0131
SEVERNSIDE_ICI	0.0157
SHORNE	0.0096
SHOTTON_PAPER	0.0250

Appendix 2

Offtake	p/kWh/d
SHUSTOKE	0.0157
SILK_WILLOUGHBY	0.0023
SOUTRA	0.0001
SPALDING_PG	0.0036
SPALDING_PG_2	0.0036
ST_FERGUS_BS	0.0001
ST_FERGUS_OT	0.0001
STALLINGBOROUGH	0.0001
STAYTHORPE	0.0053
STRANRAER	0.0009
STRATFORD_UPON_AVON	0.0095
STUBLACH	0.0221
SUTTON_BRIDGE	0.0041
SUTTON_BRIDGE_PS	0.0040
TATSFIELD	0.0126
TEESSIDE_BASF	0.0001
TEESSIDE_HYDROGEN	0.0001
THORNTON_CURTIS_(KILLINGHOLME)	0.0001
THORNTON_CURTIS_LDZ	0.0001
THRINTOFT	0.0009
TILBURY_PS	0.0098
TOW_LAW	0.0017
TOWTON	0.0025

Appendix 2

Offtake	p/kWh/d
TUR_LANGTON	0.0099
WALESBY	0.0001
WARBURTON	0.0219
WEST_BURTON_PS	0.0021
WEST_WINCH	0.0021
WESTON_POINT	0.0249
WETHERAL	0.0060
WHITWELL	0.0097
WILLINGTON_PS	0.0162
WINKFIELD_NT	0.0199
WINKFIELD_SE	0.0199
WINKFIELD_SO	0.0199
WYRE_PS	0.0166
YELVERTON	0.0001
ZENECA	0.0001

Appendix 3

Summary of Commodity Charges

The table below summarises the Indicative changes to the Commodity charges being made in April 2015. A comparison between the average Commodity rate during 2014/15 and the April 2015 indicative is also provided.

Charge p/kWh	Oct-14	Average ¹	April 2015 Indicative	% Change...	
	(Current)	2014/15		to current	to Average 2014/15
NTS TO Entry Commodity	0.0431	0.0382	0.0443	3%	16%
NTS TO Exit Commodity	0.0200	0.0188	0.0195	-2%	4%
NTS SO Commodity (Entry & Exit)	0.0185	0.0215	0.0177	-4%	-18%
St. Fergus Compression	0.0169	0.0171	0.0181	7%	6%

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