

Paul Branston
Associate Partner, Gas
Ofgem
9 Millbank
London
SW1P 3GE

Steve Fisher
Gas Capacity & Charging
Development Manager

steve.r.fisher@nationalgrid.com
Direct tel +44 (0)1926 653428

www.nationalgrid.com

30 June 2015

Dear Paul,

Notice of MSEC and DSEC Reserve Prices for Capacity used from 1 October 2015

National Grid is publishing this notice of revised system entry capacity reserve prices two months in advance of the Rolling Monthly Trade & Transfer System Entry Capacity (RMTNTSEC) auction of system entry capacity, consistent with our Licence and Uniform Network Code obligations.

The changes to Monthly System Entry Capacity (MSEC) and Daily System Entry Capacity (DSEC) prices are shown in the attachment to this notice, with the new prices shown in bold. We have also updated Table 3 of the NTS Gas Transportation Charges Statement dated 1 April 2015. The full updated Statement can be found on our website at: <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Gas-transmission/Charging-Statements/>.

Following Ofgem's decision to approve UNC Modification MOD500 – 'EU Capacity Regulations – Capacity Allocation Mechanisms with Congestion Management Procedures', Entry Capacity reserve prices relating to **Interconnection Points (IPs) for the Rolling Monthly and Rolling Day Ahead auctions** are also given in this Notice.

It should be noted that the system entry capacity (RMTNTSEC and DSEC) purchased during September 2015 for use from 1 October 2015 will be subject to the revised Entry Capacity reserve prices given in this notice. The revised prices have been calculated using the Transportation model which has been updated to reflect changes in demand levels, the pipeline network, supply patterns, obligated entry capacity levels and the cost of investment through the expansion constant, all of which may affect the charges. All Entry Capacity reserve prices have been calculated using the Obligated NTS Entry Capacity levels.

Following a review of the peak demand forecasting process, there has been a decrease in forecast peak demands in most areas. The total peak demand has fallen by 11% compared to 2014/15 although not uniformly across the network. This has increased the average distance travelled between the entry points and centres of demand causing the Entry Capacity reserve prices to increase. The reduction in peak demand forecasts has also meant that compared to last year, the average exit costs have increased and so the adjustment factor that is used to achieve a 50:50 split of charges between entry and exit, has increased on the entry side, also causing Entry

Capacity reserve prices to rise. Those entry points furthest from demand also see a small increase in their Entry Capacity reserve price due to the updated expansion constant.

A more detailed description of the changes will be available on our website¹. A copy of National Grid's Transportation model will be sent out to parties that have signed the licence agreement. Details of how to obtain the model and other supporting charge setting information can also be found on our website in the same area.

Further updates to capacity and commodity prices

National Grid is also preparing to publish updates to commodity charges for 2015/16 and capacity prices for future auctions. The notice of actual commodity charges that shall apply from 1 October 2015 will be published by 1 August 2015, in line with the two months notice required by our licence and Uniform Network Code obligations. Entry Capacity reserve prices for future gas years used in the Annual Monthly System Entry Capacity (AMSEC) and Quarterly System Entry Capacity (QSEC) auctions will be published by 1 August 2015 and in January 2016, respectively.

If you have any questions relating to this notice, or NTS charges in general, please contact myself or Karin Elmhirst on 01962 655540.

Yours sincerely,

Steve Fisher
Gas Capacity & Charging Development Manager

¹ <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Gas-transmission/Tools-and-Models/>

Entry Capacity Reserve Prices for Capacity for use from 1 October 2015

MSEC Reserve Prices, Pence per kWh per day

| Entry Point | from 1 Oct 14 to 30 Sep 15 | from 1 Oct 15 to 30 Sep 16 | Change |
|--|-------------------------------|-------------------------------|---------|
| Coastal Terminals & LNG Importation | | | |
| Bacton | 0.0091 | 0.0104 | 0.0013 |
| Barrow | 0.0001 | 0.0023 | 0.0022 |
| Easington&Rough | 0.0120 | 0.0133 | 0.0013 |
| Isle of Grain | 0.0007 | 0.0030 | 0.0023 |
| Milford Haven | 0.0208 | 0.0229 | 0.0021 |
| St Fergus | 0.0440 | 0.0473 | 0.0033 |
| Teesside | 0.0085 | 0.0105 | 0.0020 |
| Theddlethorpe | 0.0120 | 0.0133 | 0.0013 |
| Onshore Fields and Connections | | | |
| Burton Point | 0.0001 | 0.0001 | 0.0000 |
| Hatfield Moor | 0.0040 | 0.0055 | 0.0015 |
| Hole House Farm | 0.0001 | 0.0001 | 0.0000 |
| Wytch Farm | 0.0001 | 0.0001 | 0.0000 |
| Storage | | | |
| Barton Stacey | 0.0001 | 0.0001 | 0.0000 |
| Canonbie | 0.0003 | 0.0040 | 0.0037 |
| Caythorpe | 0.0130 | 0.0130 | 0.0000 |
| Cheshire | 0.0001 | 0.0001 | 0.0000 |
| Dynevor Arms | 0.0081 | 0.0001 | -0.0080 |
| Fleetwood | 0.0025 | 0.0029 | 0.0004 |
| Garton | 0.0133 | 0.0137 | 0.0004 |
| Glenmavis | 0.0127 | 0.0140 | 0.0013 |
| Hatfield Moor | 0.0040 | 0.0055 | 0.0015 |
| Hornsea | 0.0123 | 0.0140 | 0.0017 |
| Partington | 0.0001 | 0.0001 | 0.0000 |
| Constrained LNG | | | |
| Avonmouth | 0.0001 | 0.0001 | 0.0000 |
| | | | |
| Moffat ² | 0.0037 | 0.0074 | 0.0037 |

² The Moffat reserve price is for use in overrun calculations only, no firm entry capacity will be released.

Reserve Prices, Interconnection Points (IPs) for the Rolling Monthly auctions,
Pence per kWh per day

| EU Interconnector Points (IPs) | | from 1 Nov 15³ | |
|---------------------------------------|---|----------------------------------|---|
| Bacton | - | 0.0104 | - |
| Moffat (Irish Interconnector) | - | 0.0074 | - |

For the Ascending Clock Auctions, the NTS Large Price Steps shall be the greater of 5% of the reserve price or 0.0001p/kWh/day. A Small Price Step will be one fifth of the Large Price Step.

³Earliest date for implementation is applicable for gas flow days from 1 November 2015 onwards.

DSEC Reserve Prices, Pence per kWh per day

| Entry Point | DSEC | | |
|--|-------------------------------|-------------------------------|---------|
| | from 1 Oct 14 to 30 Sep 15 | from 1 Oct 15 to 30 Sep 16 | Change |
| Coastal Terminals & LNG Importation | | | |
| Bacton | 0.0061 | 0.0069 | 0.0008 |
| Barrow | 0.0001 | 0.0015 | 0.0014 |
| Easington&Rough | 0.0080 | 0.0089 | 0.0009 |
| Isle of Grain | 0.0005 | 0.0020 | 0.0015 |
| Milford Haven | 0.0139 | 0.0153 | 0.0014 |
| St Fergus | 0.0293 | 0.0315 | 0.0022 |
| Teesside | 0.0057 | 0.0070 | 0.0013 |
| Theddlethorpe | 0.0080 | 0.0089 | 0.0009 |
| Onshore Fields and Connections | | | |
| Burton Point | 0.0001 | 0.0001 | 0.0000 |
| Hatfield Moor | 0.0027 | 0.0037 | 0.0010 |
| Hole House Farm | 0.0001 | 0.0001 | 0.0000 |
| Wytch Farm | 0.0001 | 0.0001 | 0.0000 |
| Storage | | | |
| Barton Stacey | 0.0001 | 0.0001 | 0.0000 |
| Canonbie | 0.0002 | 0.0027 | 0.0025 |
| Caythorpe | 0.0087 | 0.0087 | 0.0000 |
| Cheshire | 0.0001 | 0.0001 | 0.0000 |
| Dynevor Arms | 0.0054 | 0.0001 | -0.0053 |
| Fleetwood | 0.0017 | 0.0019 | 0.0002 |
| Garton | 0.0089 | 0.0091 | 0.0002 |
| Glenmavis | 0.0085 | 0.0093 | 0.0008 |
| Hatfield Moor | 0.0027 | 0.0037 | 0.0010 |
| Hornsea | 0.0082 | 0.0093 | 0.0011 |
| Partington | 0.0001 | 0.0001 | 0.0000 |
| Constrained LNG | | | |
| Avonmouth | 0.0001 | 0.0001 | 0.0000 |
| | | | |
| Moffat ⁴ | 0.0025 | 0.0049 | 0.0024 |

**Reserve Prices, Interconnection Points (IPs) for the Rolling Day Ahead auctions,
Pence per kWh per day**

| EU Interconnector Points (IPs) | | from 1 Nov 15 ⁵ | |
|--------------------------------|---|----------------------------|---|
| Bacton | - | 0.0069 | - |
| Moffat (Irish Interconnector) | - | 0.0049 | - |

⁴ The Moffat reserve price is for use in overrun calculations only, no firm entry capacity will be released.

⁵ Earliest date for implementation is applicable for gas flow days from 1 November 2015 onwards.