



Incremental NTS Exit Capacity Treatment

Gas TCMF 5th February 2009

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Introduction

This presentation has been prepared for the February 2009 Gas TCMF and covers NTS Incremental Allowed Revenue triggered as a consequence of releasing Incremental NTS Exit Capacity.

Content

- 1. Licence SO Exit incentive Schemes**
- 2. Exit Capacity Investment Incentive**
- 3. Treatment of Incremental exit capacity within the Transportation Model**

Licence SO Exit Schemes

SO Scheme

Licence Terms* Transitional Enduring

Exit Capacity Investment	SOExIRct	ExCIIRt		
Constrained LNG		ExCITt		
Charges Foregone		ExNTSSICt		
Exit Capacity >15 day Interruption		ExCBBIIRt		
Exit Capacity Investment Buyback		ExXSIBBCt		
Long Run Contracting		ExLRCIRt		
Non-Obligated Exit Capacity		ExNOIRt		
Exit Project Permits	DELINCt	RLTDVEx		

* The mapping of these Licence terms onto NTS allowed and collected revenues can be found in appendix 2 of the charging methodology statement and in the NTS Quarterly Charge Setting Reports.

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Exit Capacity Investment Incentive

National Grid incremental allowed revenue

- ◆ Incremental exit capacity **backed by user commitment**
- ◆ Specific named projects defined by Licence
- ◆ South West incremental exit capacity <15GWh

How does the incentive work?

- ◆ 5 year's incentive revenue starting from **formula year** in which capacity is first released
- ◆ Depreciation and return on assets (deemed to be economic & efficient) for remaining regulatory asset life

What are the specific named exit projects?

Project	Capacity (GWh/day)	Incentive revenue* (£m/year)
Langage PS (Phase 1)	40	9.5
Langage PS (Phase 2)	18	5.5
Marchwood PS	45	4.5
Pembroke PS	87	6.4
Grain PS	55	10.6

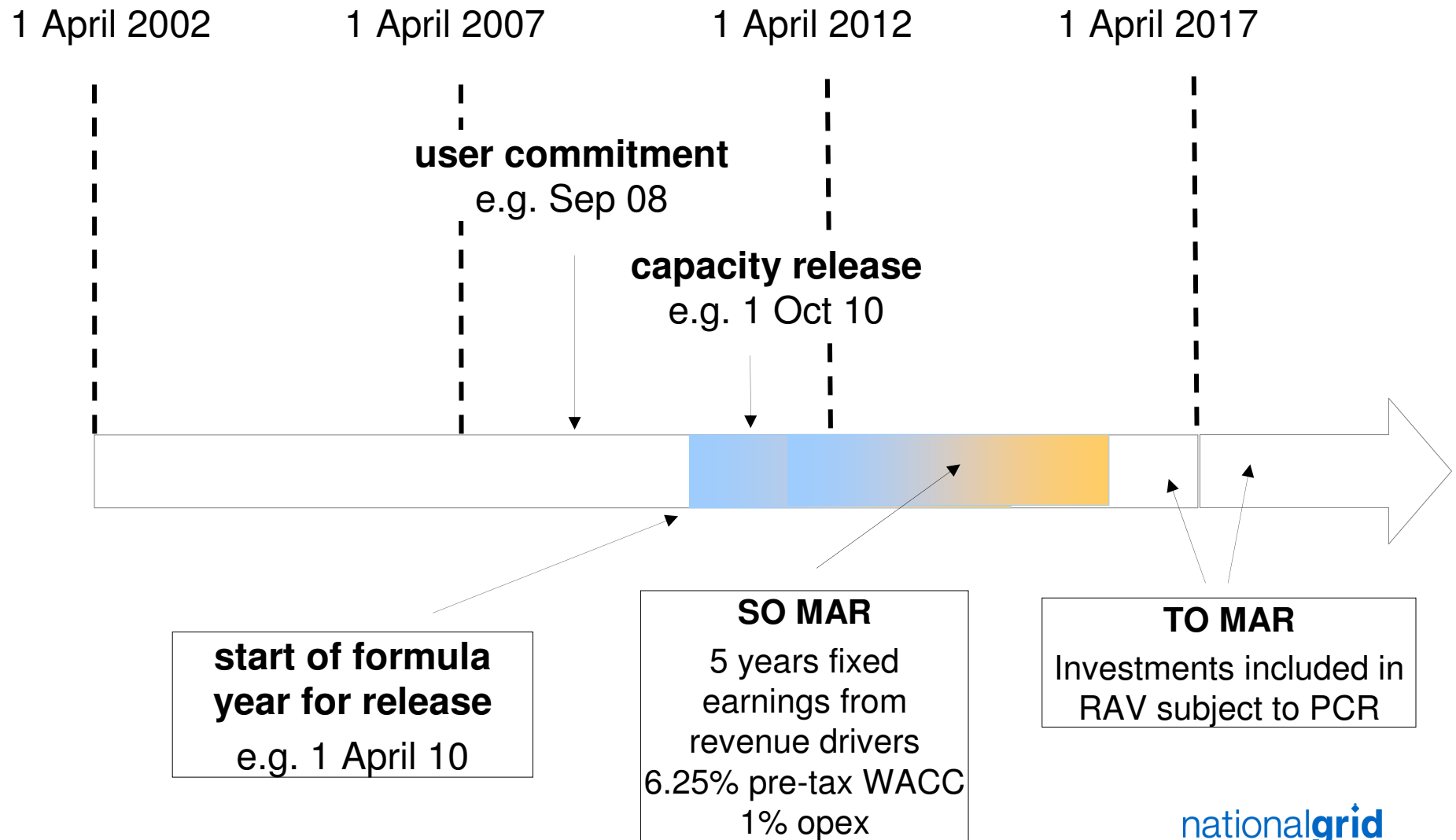
*2005/6 prices, excludes inflation and indexation adjustments

What are the South West exit sites?

Site Name		Incremental Capacity (GWh/day)	Incentive revenue* (£m/GWh/year)
<ul style="list-style-type: none"> ◆ Avonmouth ◆ Aylesbeare ◆ Barton Stacey ◆ Braishfield A & B ◆ Cirencester ◆ Coffinswell ◆ Didcot A & B ◆ Easton Grey ◆ Ilchester ◆ Ipsden 1 & 2 ◆ Kenn 	<ul style="list-style-type: none"> ◆ Littleton Drew ◆ Lyneham ◆ Mappowder ◆ Pucklechurch ◆ Seabank DN ◆ Winkfield SO & SE & NT ◆ Seabank PS phase I (Abson) & phase II ◆ Terra Nitrogen (ICI/Terra Severnside) 	<p><15 (aggregate per year)</p>	<p>0.82 (unit rate)</p>

*2005/6 prices, excludes inflation and indexation adjustments

Exit Capacity Investment Incentive - Example



Proposed (GCM05) Treatment of Incremental Exit Capacity Within the Transportation Model

Parameter	Values Used	Purpose	Why?
Demand	Baseline + Incremental Obligated Exit Capacity	This is the maximum flow within the model.	This drives the calculation of the marginal cost (LRMC)
Allowed (Target) Revenue	TO Exit Allowed Revenue ~ 50% of TO allowed revenue having first deducted specific TO charges (DN Pensions & Metering)	The revenue adjustment factor is calculated such that this level of revenue is forecast to be collected from the capacity levels within the model.	The Licence defines the revenue associated with the sale of baseline exit capacity as TO revenue.
Capacity	Baseline Exit Capacity	This is the level of capacity used to ensure that charges equal allowed (target) revenue.	Revenue associated with the sale of incremental is SO revenue.*

* There is no target SO exit capacity revenue. The difference between allowed SO exit revenue (calculated from the revenue drivers) and the SO exit capacity collected revenue, is accounted for via an adjustment to the SO commodity charge.