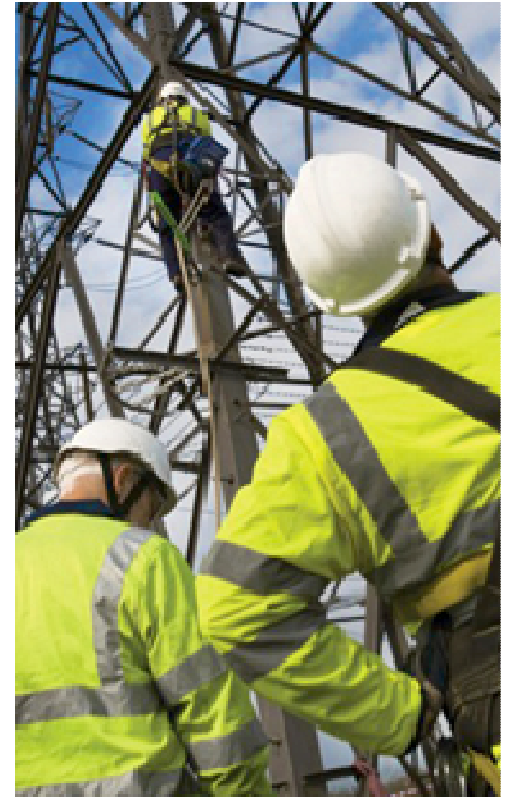


TO & SO Entry Revenue

ECRG 6th October 2009



nationalgrid

The power of action.™

Introduction

- ◆ Action from 1st ECRG Meeting 9th September 2009:
 - ◆ “Expand the analysis presented to include SO as well as TO revenue, identifying incremental and non-incremental capacity, including projections across the next price control period.”
 - ◆ Incremental (SO) revenue treatment will depend on the prevailing entry investment incentive scheme when incremental capacity was triggered

Incremental Capacity Released

NTS entry point (ASEP)	Triggered in QSEC	Entry Incentive Scheme	Capacity From	Capacity (GWh/day)	Annual Revenue at 2009 QSEC Prices (£m)
Barton Stacey	Sep-04	Old Scheme 2002-2007	Apr-06	90	£0.033
Garton	Feb-04		Oct-06	420	£19.469
Milford Haven	Dec-04		Oct-07	650	£48.399
Milford Haven	Dec-04		Jan-09	300	£22.338
Isle of Grain	Nov-05		Oct-08	235.4	£2.234
Easington (Incl. Rough)	Sep-06		Oct-09	345	£14.104
Hornsea	Sep-06		Jan-10	58.1	£2.290
Fleetwood	Sep-06		Oct-10	650	£5.694
Cheshire	Sep-06		Oct-10	64.2	£0.023
Cheshire	Sep-06		Jan-12	192.6	£0.070
Isle of Grain	Sep-07		New Scheme 2007-	Oct-10	246.24
Caythorpe	Sep-08	Oct-11		90	£3.416

NTS Entry Capacity Investment Incentive (old scheme)

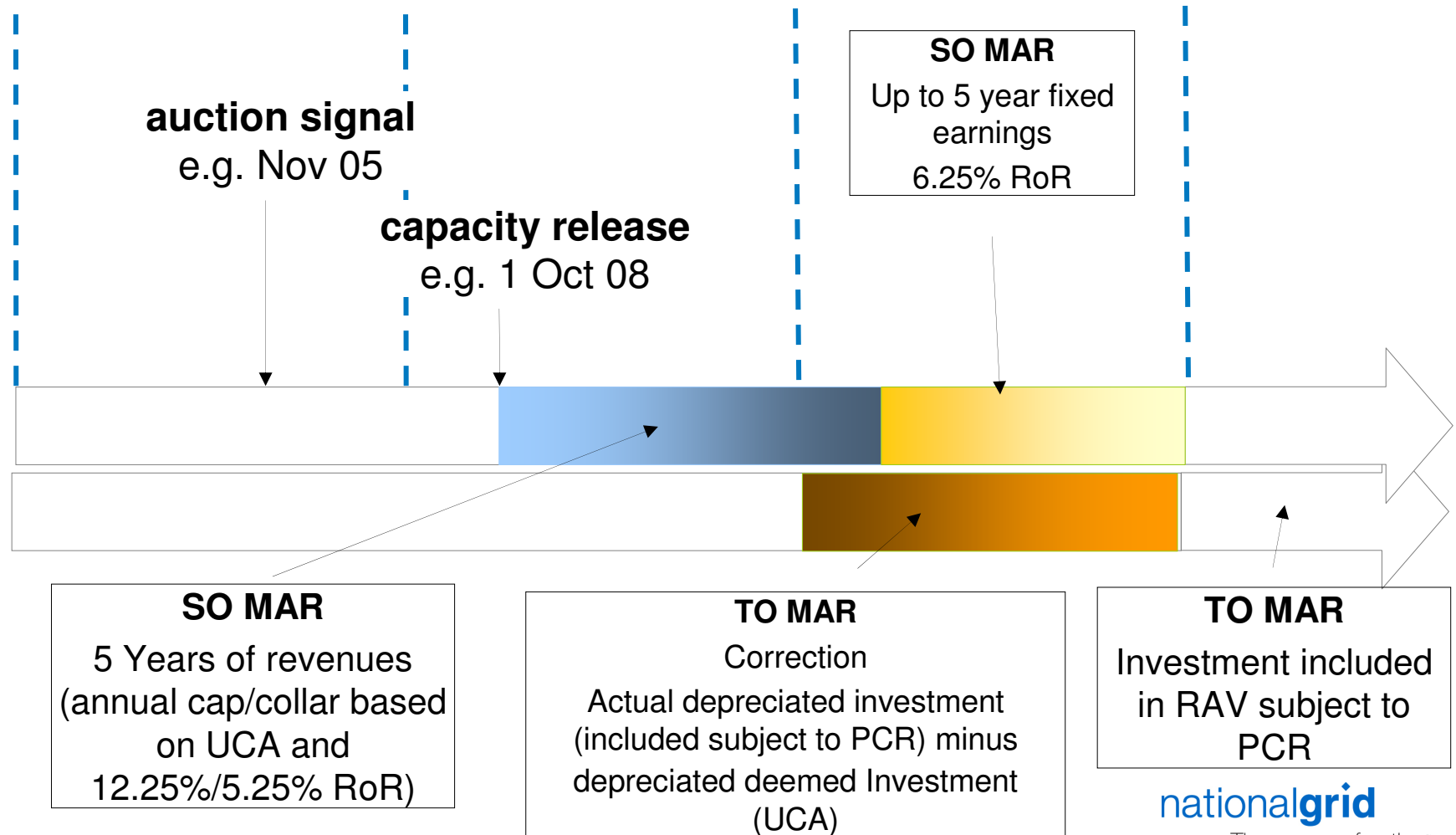
April 2002-
March 2007

1 April 2002

1 April 2007

1 April 2012

1 April 2017



NTS Entry Capacity Investment Incentive (new scheme) - Example

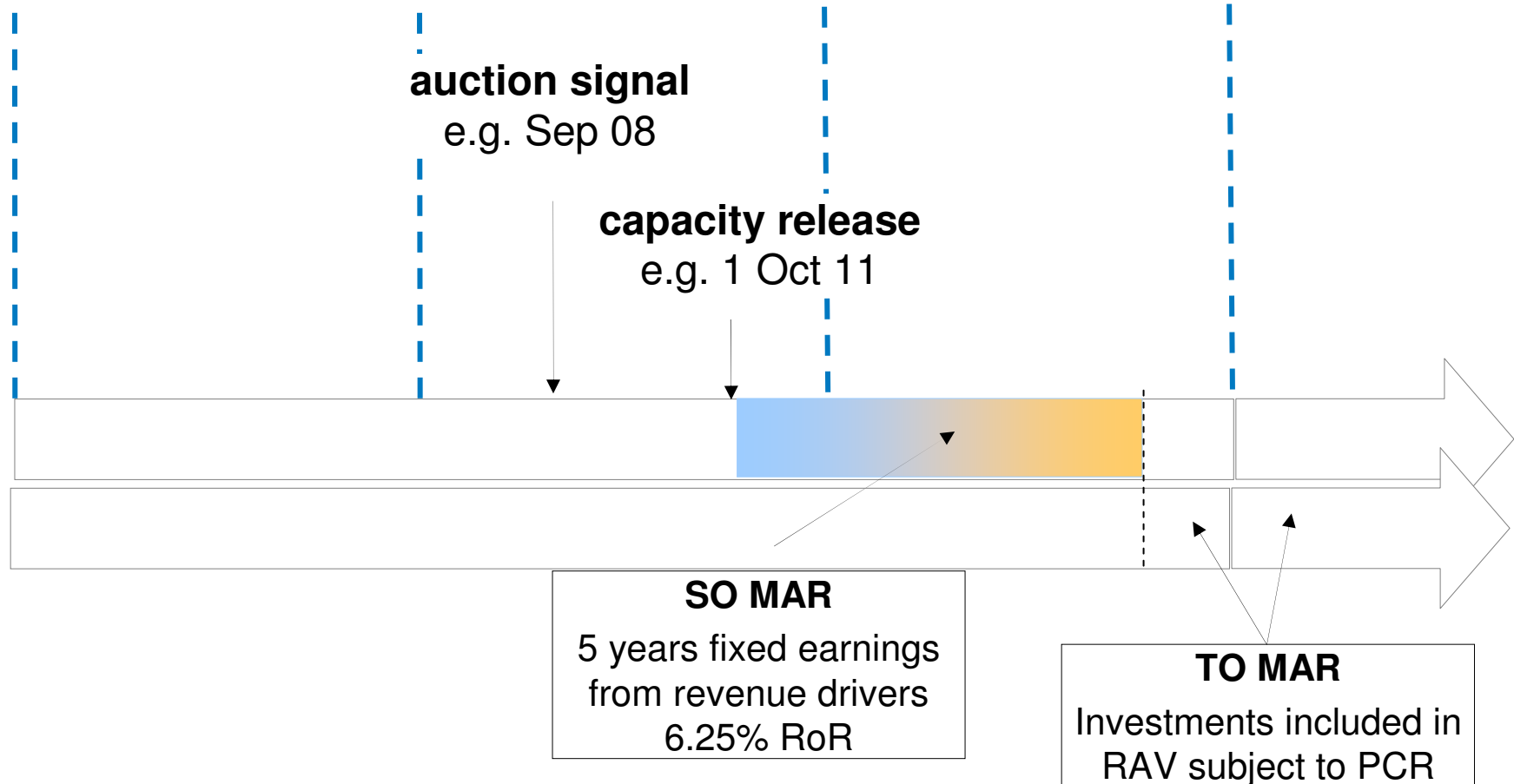
post April 2007

1 April 2002

1 April 2007

1 April 2012

1 April 2017



nationalgrid

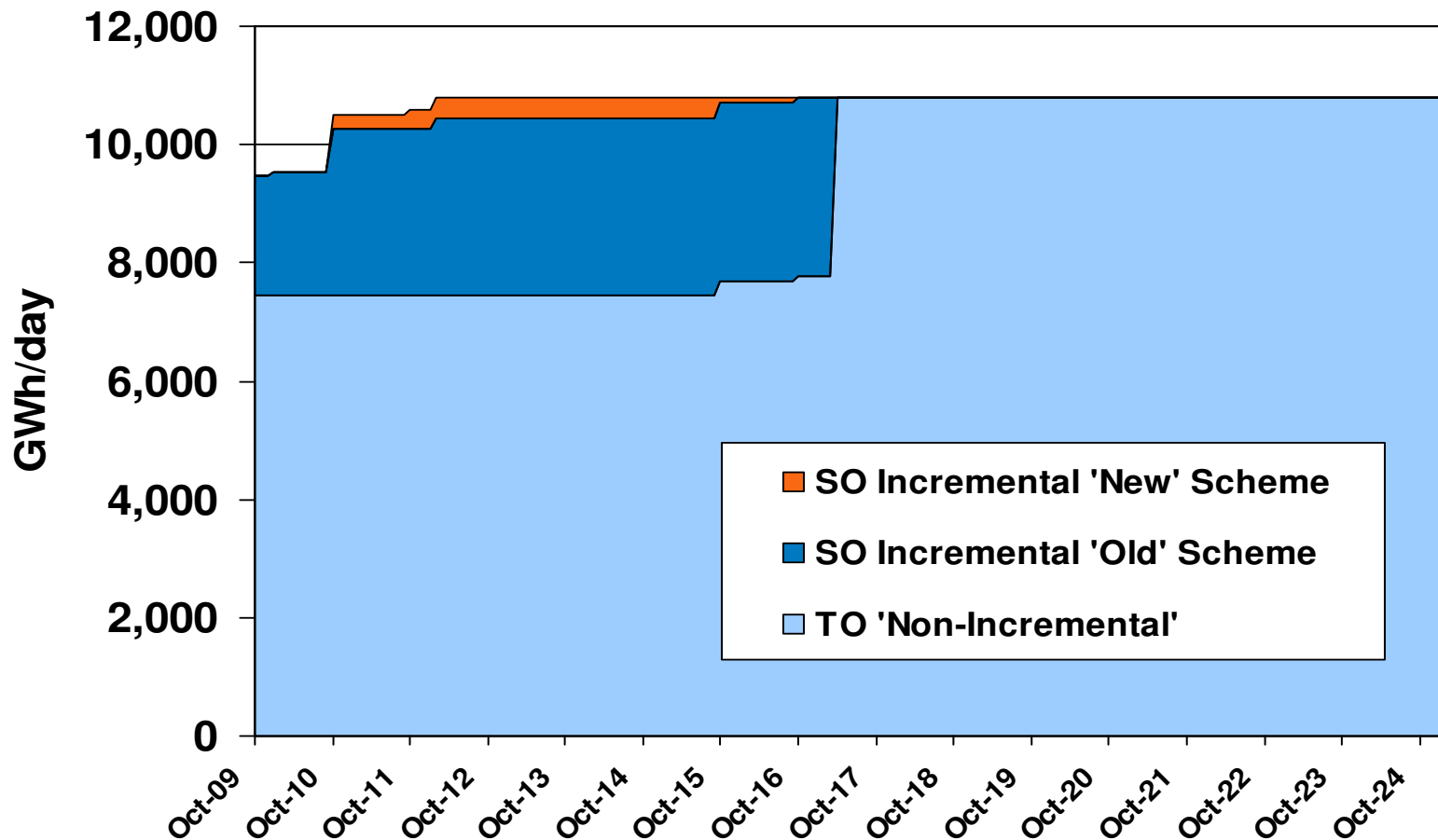
The power of action.

Implied Revenue from 2009/10 Entry Reserve Prices

- ◆ The following table indicates the level of revenue (£m) that would have occurred if all entry capacity (based on Capability for storage otherwise 2008 TYS Forecast peak supply) had been procured for each day at the reserve prices published for the 2009 QSEC and subsequent MSEC auctions.

Gas Year	2009/10	2010/11	2011/12
Implied Entry Capacity Revenue (£M)	£434.76	£446.05	£432.51
SO (Incremental) Implied Revenue (£M)	£98.97	£99.32	£100.07
TO (Non-incremental) Implied Revenue (£M)	£335.79	£346.73	£332.44
Target Entry TO Allowed Revenue (£M)	£293.4	£271.3	£277.1

NTS Entry Capacity Release Obligation



Assumption that the sale of capacity released under the 'old' scheme will be treated as TO for allowed and collected revenue purposes from the start of the 2017 price control period.

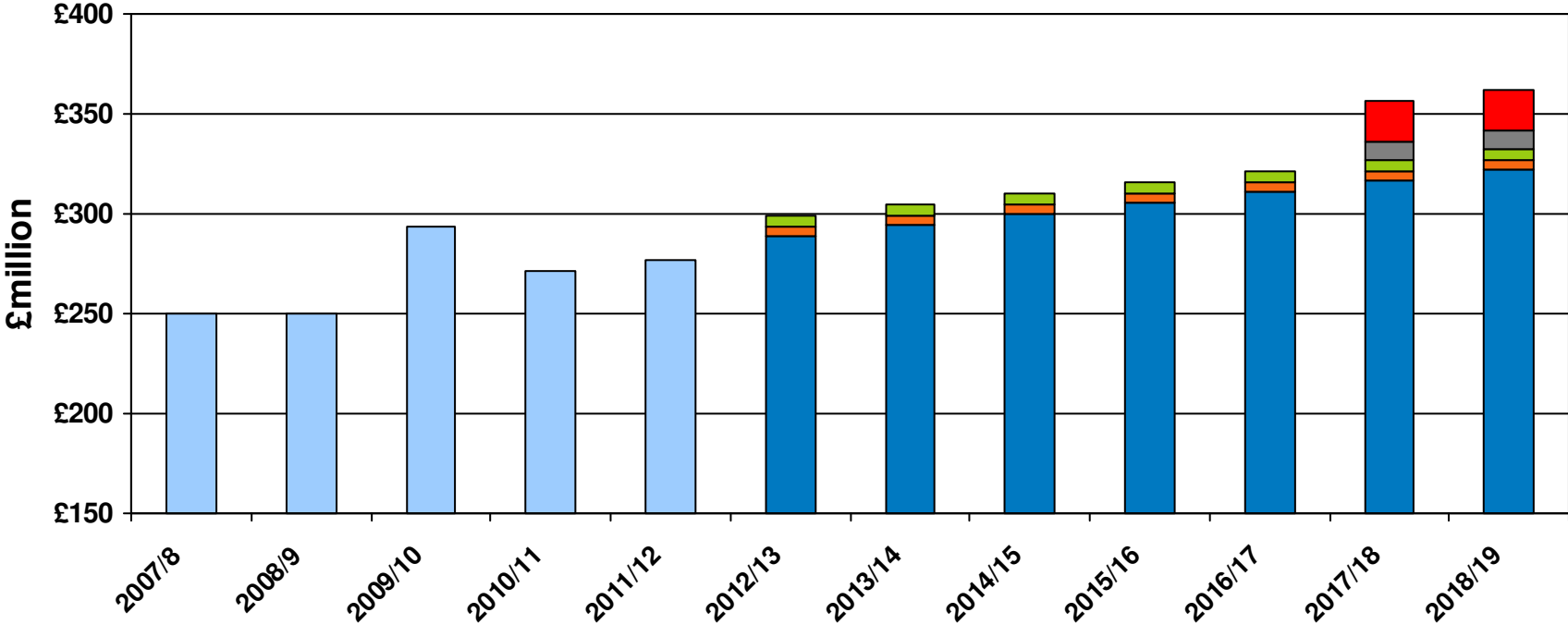
Switch from SO to TO

- ◆ The following graph shows the potential impact on TO Target Entry Revenue of the conversion of SO (Incremental) Allowed Revenue to TO.
 - ◆ Investment for incremental included in the TO asset base and hence included in the regulated asset value (RAV) and hence in the TO maximum allowed revenue (MAR)
 - ◆ The exact conversion is subject to the 2012 and 2017 PCRs and ranges have been given to cover uncertainty in final investment figures and the conversion process.
 - ◆ A significant proportion of the investment for Milford Haven has already been included in the TO RAV.

TO target entry revenue =

(TO MAR minus Pensions & Metering Charge Revenue)/2

Indicative TO Entry Target Revenue



- SO Incremental potential switch to TO - 2017 High
- SO Incremental potential switch to TO - 2017 Low
- SO Incremental potential switch to TO - 2012 High
- SO Incremental potential switch to TO - 2012 Low
- TO Entry Target Allowed Revenue - Extrapolation of curent PC
- TO Entry Target Allowed Revenue