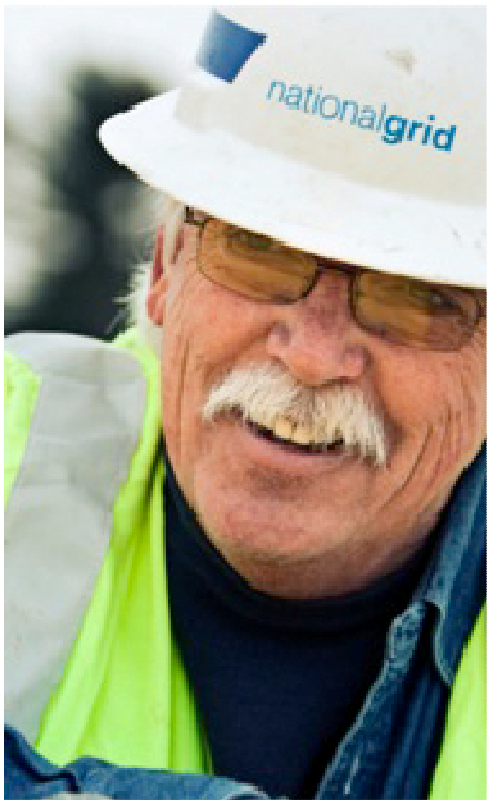
Indicative exit capacity prices for 2010/11

Gas TCMF, 7 April 2010

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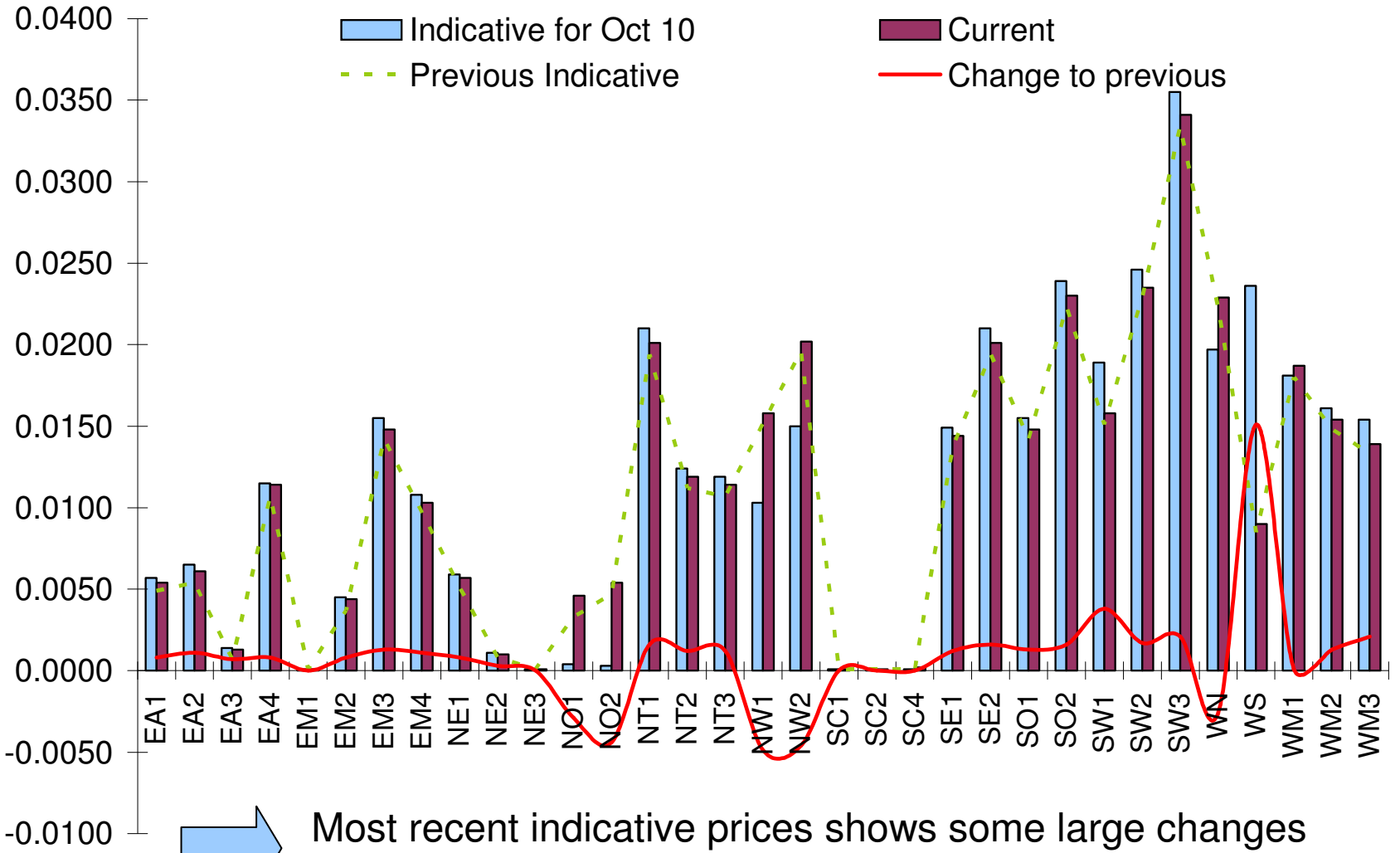
Indicative Exit Capacity Charges 2010/11

- National Grid have an obligation to produce indicative charges at least 150 days before they are implemented
- As we will not receive any further updates to data before 1 May, we have decided to publish **Indicative Exit Capacity prices** for October 2010 earlier than obligated, with the aim of increasing the notice provided to users
- Further updates of the **Expansion Constant** and **Demand data** will become available after 1 May. If there are any significant changes we will update the Industry accordingly
- This slide pack will highlight and explain where changes have occurred when comparing previous Indicative Exit Capacity charges for October 2010, published in July 2009, and our current view
- Exit zone data is presented as this is also indicative of changes to direct connects in the same geographic area.

Indicative Exit Capacity prices for 2010/11

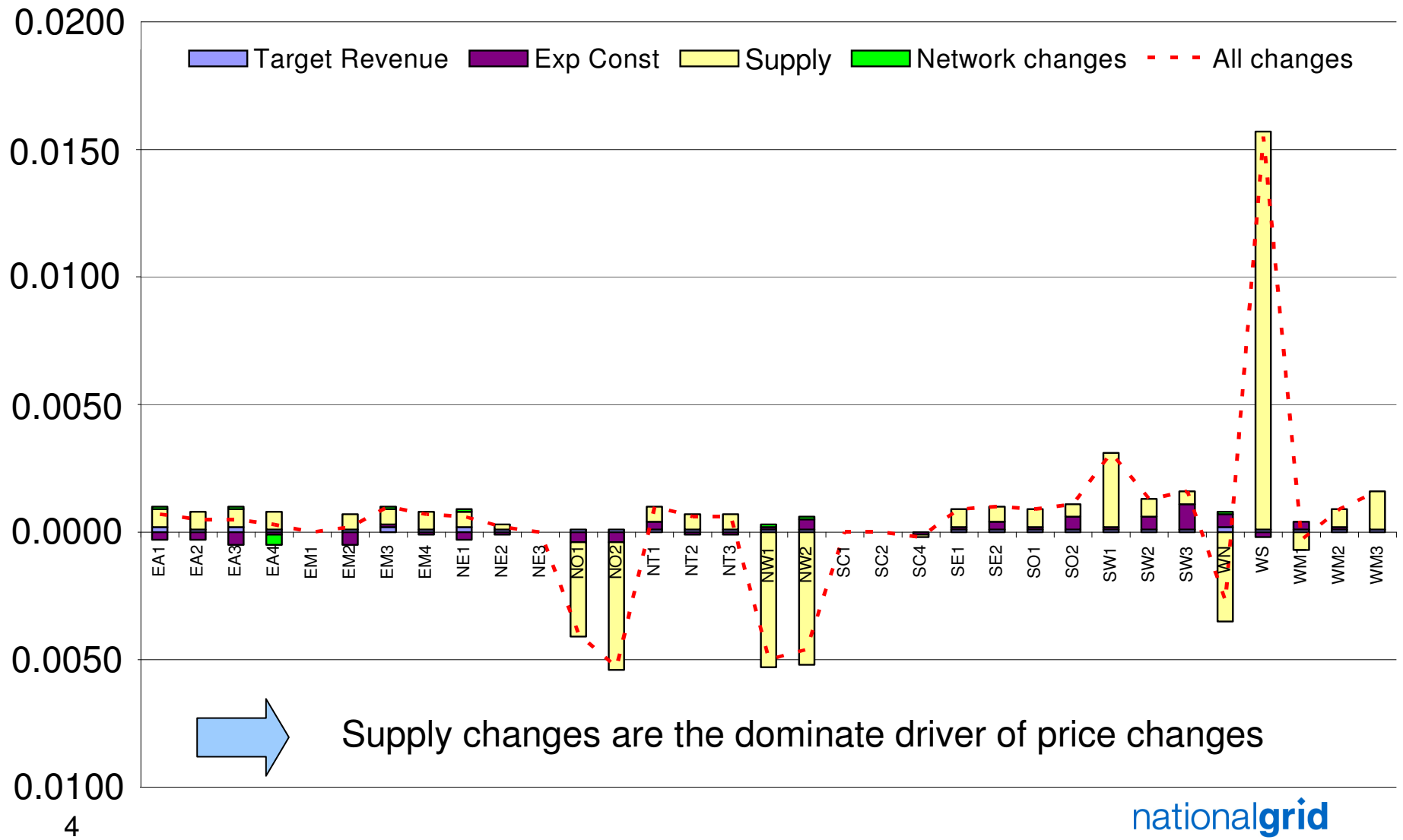
Exit Zones (p/kWh/day)



Most recent indicative prices shows some large changes compared to previous indicative (Aug 09) and current prices

Factors that drive these changes

Exit Zones (p/kWh/day)



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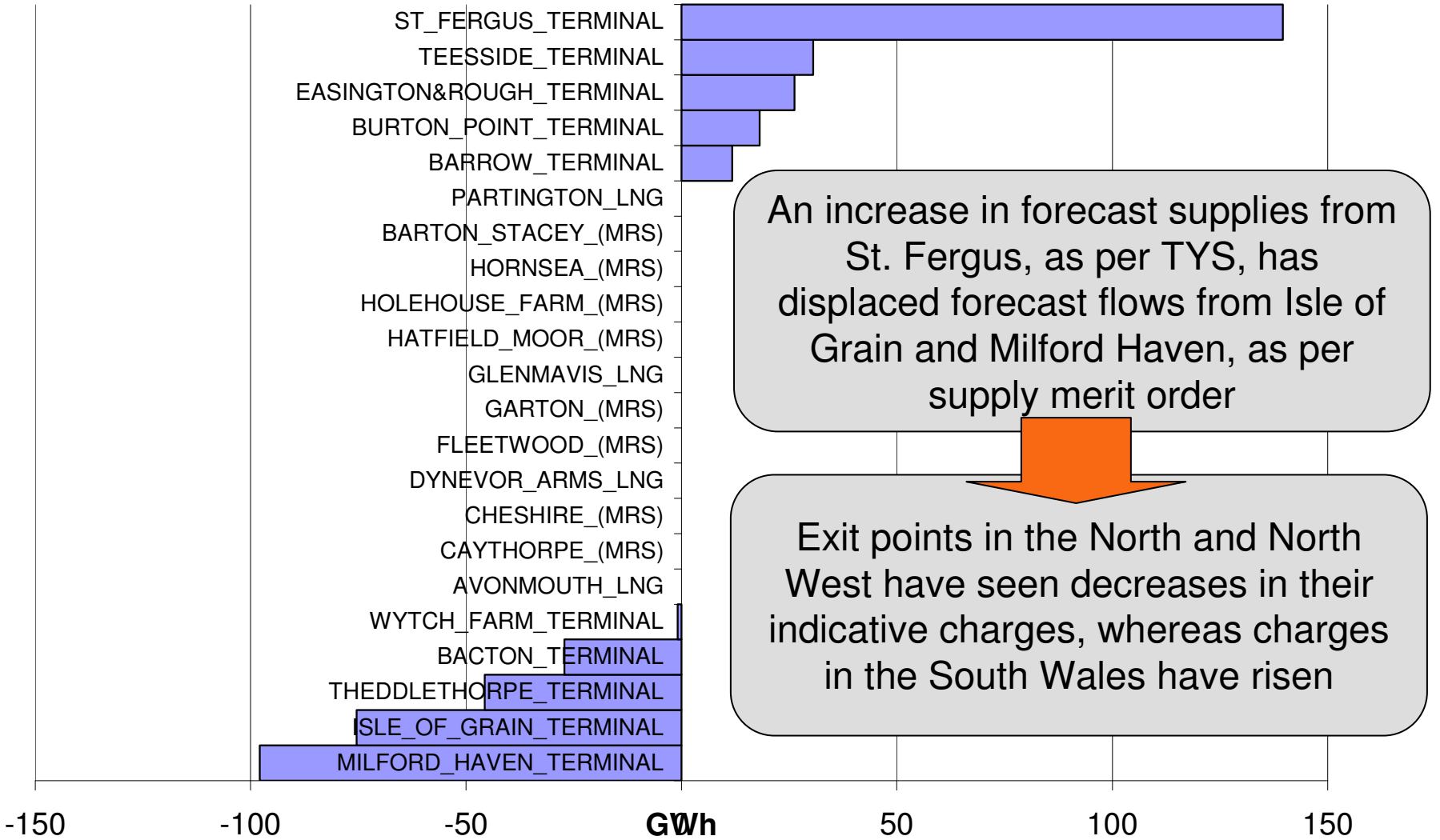
Focus on change in supply



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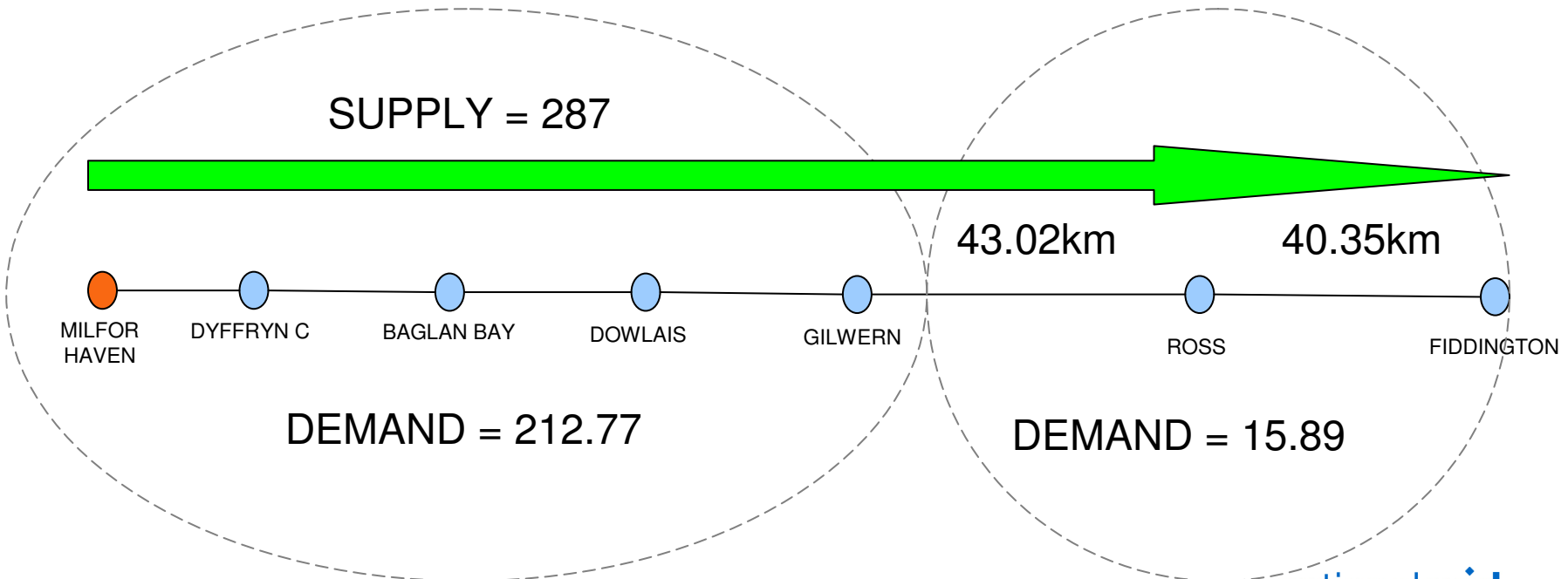
Why Supply Changes Indicative Exit Capacity Charges

- Beach supply increases from 3334 to 3484 as per TYS 2009
  - Increase in forecasted flows at St Fergus
- Less LNG needed to balance Supply and Demand (decreases from 508 to 335)
  - GCM16 determines the order of merit for supplies
- Milford Supplies drop from 287 to 189
- Flows on network change as illustrated in following two slides

Price changes reflect changes in modelled flows

*South Wales network: Indicative 10/11 prices published in **2009***

- Supplies from Milford Haven sufficient to meet demand in the locality
- Surplus flows flowed to the South West



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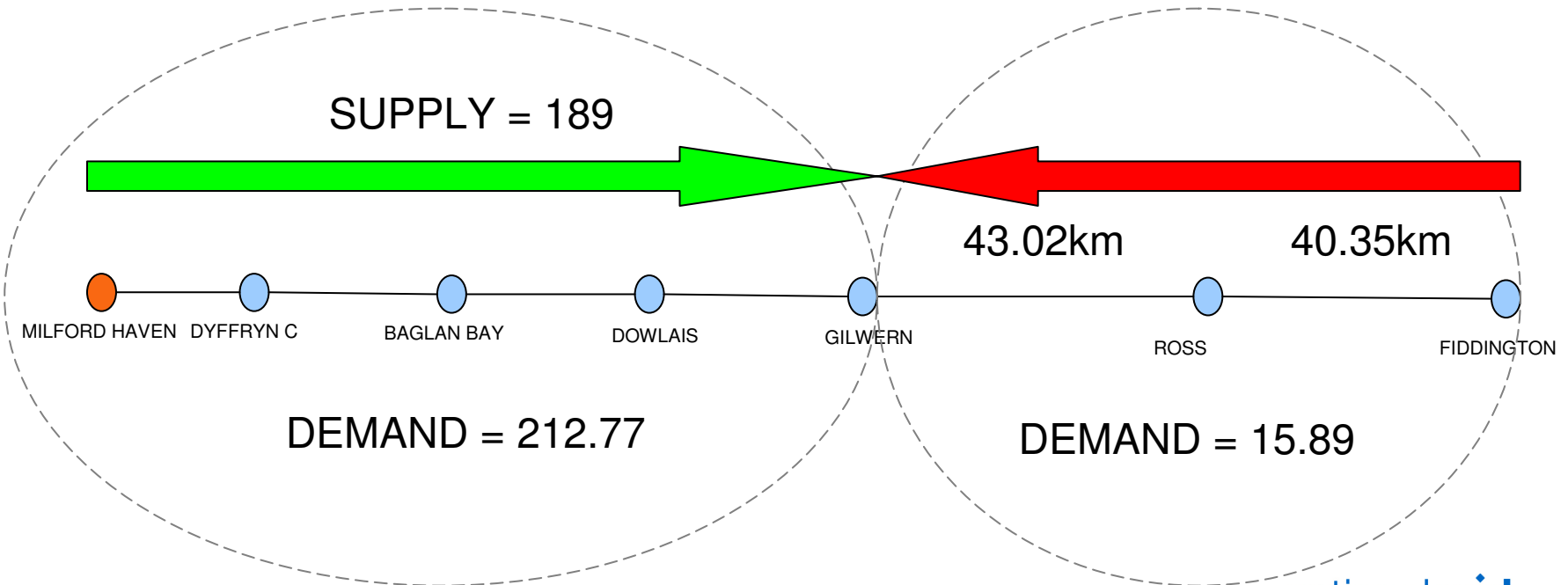
Price changes reflect changes in modelled flows

*South Wales network: Indicative 10/11 prices published in **2010***

- Milford Haven supplies decrease due to forecast increase in beach
- Supply in South Wales area is less than demand
- The network is used more to transport gas into this area
- This increases the Exit LRMC at offtakes from Ross to Milford Haven



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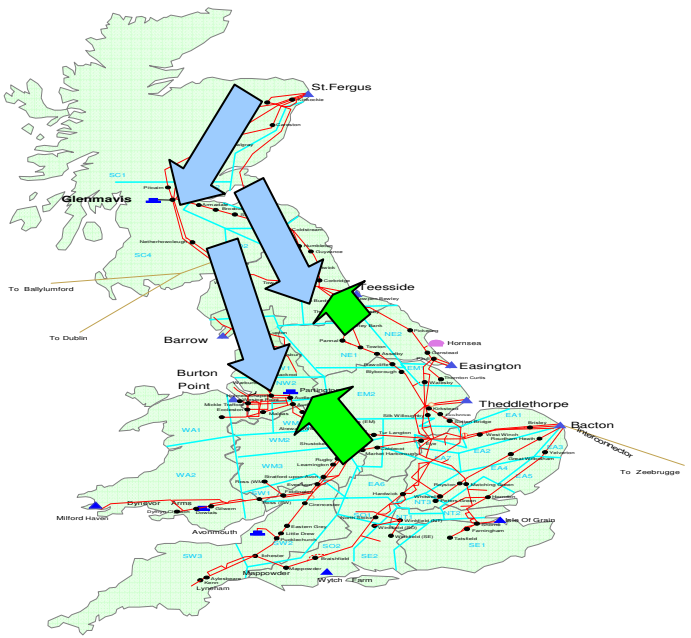
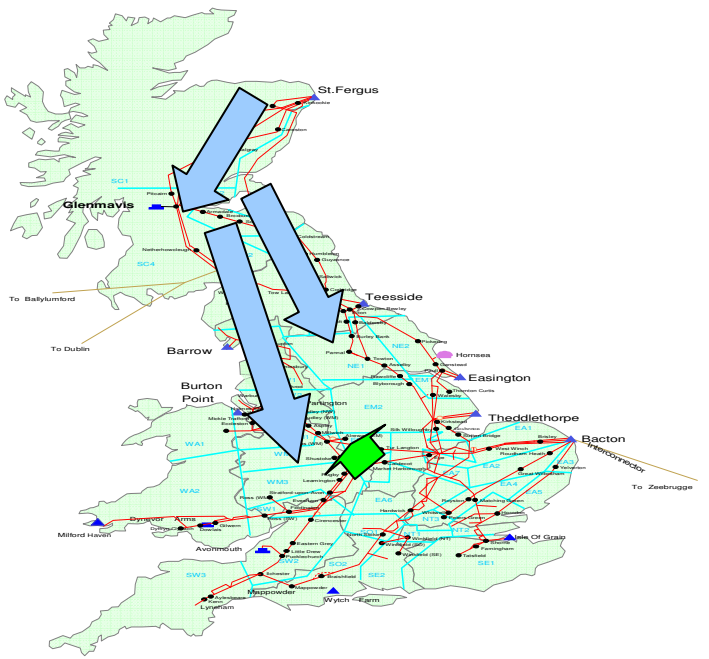
Price changes reflect changes in modelled flows

Northern Zones

09/10



10/11



- Increased flows at St Fergus and other northern terminals better matches demand in this area
- Therefore exit prices decrease in this area

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Looking Forward

- Supply changes caused through either Supply forecasts or changes in demand can alter flow direction, and therefore prices
- Where flow along a pipe nears 0 any changes in supply or demand can cause incremental shifts in LRMC and thus prices
- This has been shown in the following areas
  - Prices have significantly decreased in the Northern Zones
    - This reverses price increases from 08/09 to 09/10
    - Feasible that the trend may be reversed again in 11/12 as St Fergus flows are forecasted to be lower
  - Prices have significantly increased in South Wales; however,
    - as demand increases; supply at Milford Haven increases so this effect will be reduced in 12/13 when Exit Reform increases peak demand, and increased supply at Milford Haven is enough to decrease Exit prices in the South West

Next Steps

- Discuss price changes / methodology at TCMF

- Once we receive new demand data in mid May we will publish updated indicative prices if there is a marked change in prices
- Details of how to obtain the Transportation model used to set these Indicative Exit Capacity charges can be found on our website at the following link http://www.nationalgrid.com/uk/Gas/Charges/Tools/