

Entry Capacity

Reserve prices for 2010 QSEC

Explanation of the changes to reserve prices

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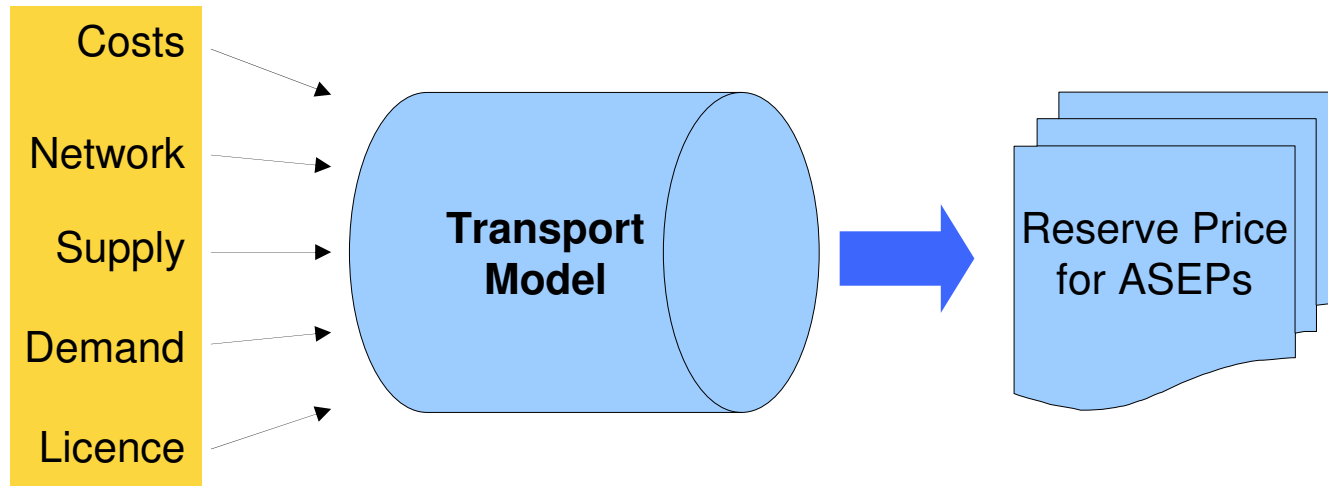
Purpose

- ◆ The purpose of this slide pack is to give a high level overview of the Entry reserve prices calculated for QSEC 2010 and why they differ from QSEC 2009
- ◆ When reading this slide pack you may find it useful to refer to the [Statement of the Gas Transmission Transportation Charging Methodology](#)
- ◆ The information within this pack is purposely aimed at a high level. If you therefore have any queries or questions regarding the information within this slide pack or the Transportation Model in general feel free to contact National Grid on (01926) 654633

Highlights

- ◆ Entry Capacity Prices have in the majority dropped when compared to QSEC 2009's prices
- ◆ Price changes when compared to QSEC 2009 are in the large minimal in terms of p/kWh/day when compared to price changes between previous QSEC's

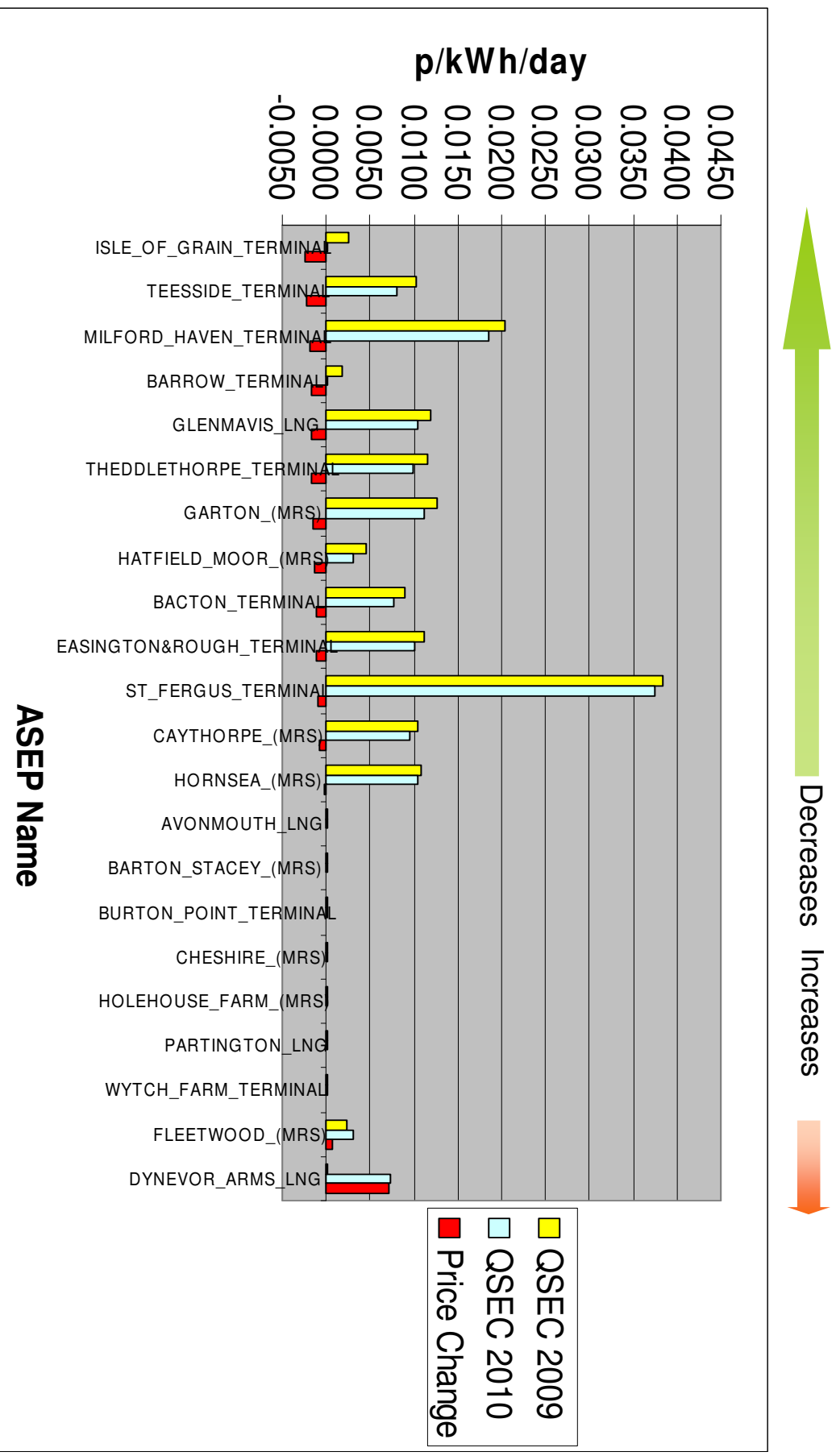
Data Required



Inputs to the model follow our latest 'Statement of the Gas Transmission Transportation Charging Methodology'

<http://www.nationalgrid.com/uk/Gas/Charges/statements/>

Reserve prices for QSEC capacity (2009 → 2010)



Reason for change: Expansion Constant

Entry points that are furthest from the centres of demand most affected

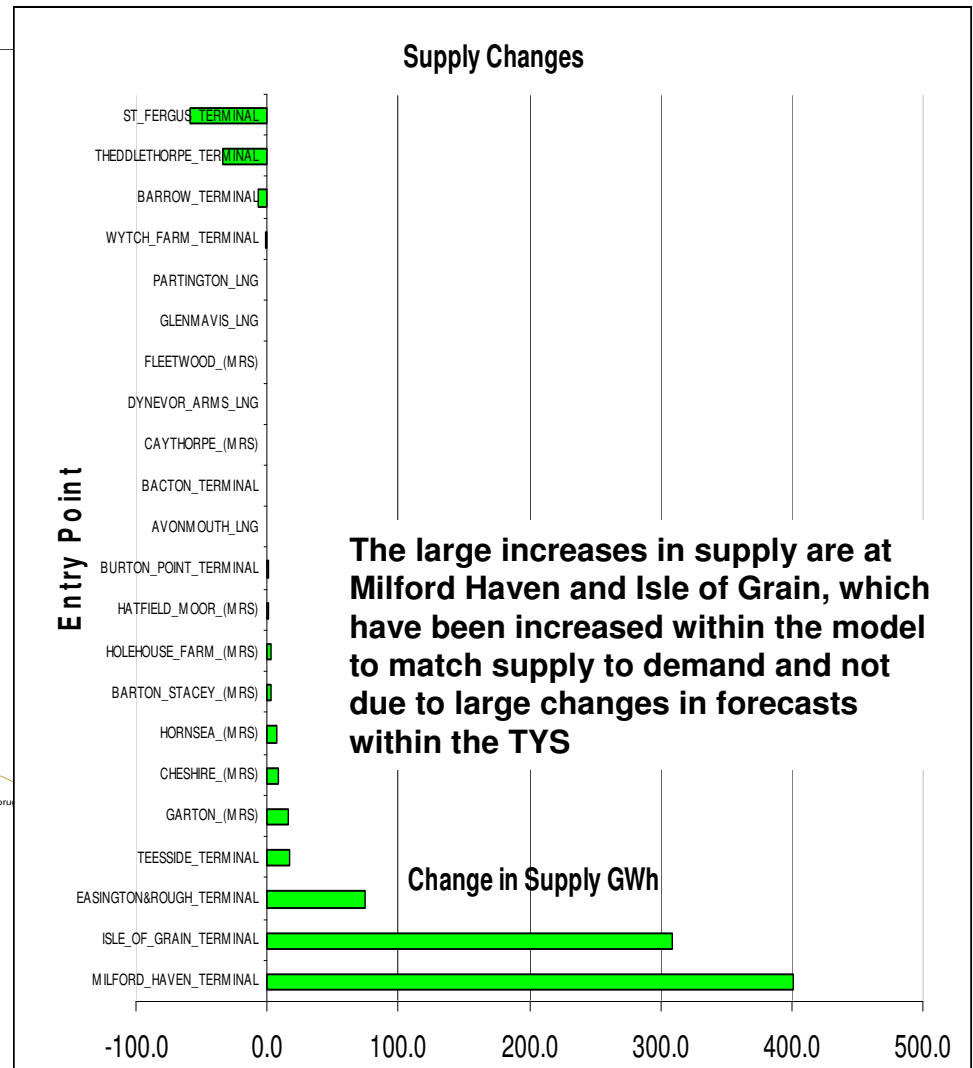
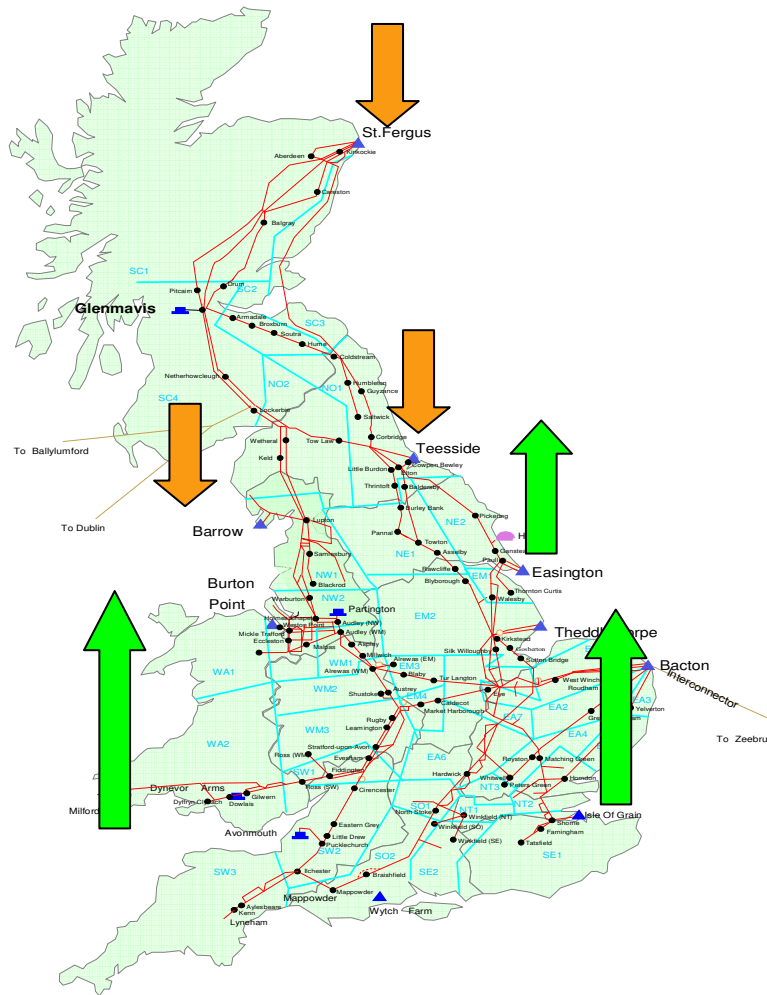
- ◆ The Expansion Constant represents the capital cost for an additional km of pipe
- ◆ Updated annually according to change in forecasted costs of materials & labour
- ◆ Those Entry Points with the greatest impact are (largest first):
 - St. Fergus
 - Milford Haven
- ◆ These Entry points have the largest Entry prices which indicates that gas entered at these parts of the system flow the furthest, therefore are affected more by the Expansion Constant

Reason for Change: Supply & Demand

The change in supply and demand is the largest factor that influences prices

- ◆ Forecast Peak Day Demand has increased by 15% in 2012/13 compared to demand levels forecasted for 2011/12 (QSEC 2009) due to Exit Reform (Interruptible now firm).
- ◆ Demand is as per the latest Ten Year Statement, i.e. peak demand forecast plus forecast Interruptible
- ◆ Demand generally rises uniformly across the country. Supply has increased **but not** uniformly
- ◆ Supply has been increased following balancing rules as per GCM 16
 - supply altered in defined order based on defined entry groups
 - all sites within a group are increased or decreased by the same amount
 - seeks to promote price stability
 - Supply has been mainly matched by Milford Haven and Isle of Grain
- ◆ The following slide shows supply changes in detail

Supply changes in 2012/13 (c.f. 2011/12) (GWh)



Why have Entry Prices changed?

- When calculating the entry reserve price for an individual ASEP the supply level for that ASEP is based on its obligated supply. Other ASEPs are assumed to flow at the level needed to match supply to demand
- Demand has increased uniformly
- Supply at a given location is now more closely matched to demand
- This has reduced entry flows in terms of distance flowed to meet demand elsewhere
- This has therefore reduced entry costs
- Where entry costs have increased due to a greater increase in supply than demand at a given part of the network, then entry prices have increased
- Please note that changes in baseline, CV's and the network have had minimal effect on entry reserve prices

Further Information

- ◆ Entry and Exit Capacity Prices are set using the NTS Transportation Model
- ◆ For further information on how to receive this model please follow the link below
<http://www.nationalgrid.com/uk/Gas/Charges/Tools/>