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29th July 2011

Dear Hannah,

Notice of Revised Gas Transmission Transportation Charges from 1st October 2011

This notice is issued in line with National Grid Gas ("National Grid") Transporters Licence in respect of the NTS ("the Licence") and our obligations contained in the Uniform Network Code, which requires National Grid to provide at least two months notice of changes to its gas transportation charges. This notice details changes that will apply from 1st October 2011 and follows the 'indicative notice' published on 4th May 2011.

This notice is split into four parts: the first considers changes to commodity charges; the second considers changes to exit capacity charges; the third consider changes to administration charges; and the forth provides details of tools and supporting information that shippers can use to further understand how each type of charge has been calculated.

Commodity Charges

In the indicative notice we forecast a significant drop in NTS volumes specifically regarding volumes related to power generation. Following updated demand forecasts received at the end of May we still expect a significant drop in NTS volumes although not as much as initially assumed when setting indicative charges. Nevertheless, as noted at the indicative stage, the impact this has had on TO and SO commodity charges is twofold:

- ❑ firstly the revenue expected to be collected through commodity charges between April and September will be lower than anticipated when setting April charges, which will increase the revenue to be collected between October and March; and
- ❑ secondly the charging base for the remainder of the year is lower, therefore the charges from 1st October must increase to collect the same total revenue.

NTS TO Entry Commodity Charge

The **NTS TO Entry Commodity** charge levied on entry allocations will be **0.0232 p/kWh**, representing an increase of 17% on the current charge of 0.0198 p/kWh. This is a slight reduction on that expected at the indicative stage. As noted previously, the main drivers for the increase in the charge are decreased chargeable volumes (see above) and lower than expected revenues from entry capacity auctions, in particular the February Annual Monthly

System Entry Capacity (AMSEC) auction, which increases the revenue to be recovered through the TO Entry Commodity charge.

NTS SO Commodity Charges

The revised level of the **NTS SO Commodity** charge, as applied to both entry and exit allocations, is **0.0246 p/kWh**, an increase of 37% compared to the current level (0.0179 p/kWh). This is higher than that anticipated at the indicative stage (0.0219 p/kWh) because we have updated our view of the meter error reconciliations that will complete during 2011/12.

The indicative SO Commodity Charge assumed that various meter error reconciliations totalling c£49m (including Braishfield, Aberdeen, and several directly connected sites) would take place during the current formula year. Of this, approximately c£30m related to the Aberdeen meter error. We have been monitoring the progress made towards reconciling the Aberdeen meter error and compared this to other high significance meter error reconciliations such as Braishfield. Taking into account that the Aberdeen reconciliation is now being conducted under a modified Significant Meter Error Report process, coupled with the complexity of the metering issue and the requirement for two independent technical experts to report their respective findings, it is now our assessment that the meter error reconciliation for Aberdeen will take place within the 2012/13 formulae year and not 2011/12.

Our updated view of meter error reconciliations has contributed 0.0031 p/kWh to the increase in the SO Commodity charge and the volume effects outlined above have also had a significant impact on charges.

The **St. Fergus Compression charge** levied at the Total Oil Marine (TOM) sub-terminal at St. Fergus will increase to **0.0172 p/kWh**, which is a rise of 26% on the current charge of 0.0136 p/kWh and around the top end of the indicative range provided. The increase in the charge, when compared to the current charge, is due to a combination of increased operating costs associated with running compressors (driven by increases in wholesale gas prices) and forecast reductions in the volume of gas entering the NTS through the TOM sub-terminal. Note, whilst volumes entering the terminal are expected to decrease, there is only a small and not comparable reduction in the compressor fuel used at the terminal.

Summary of changes to Commodity Charges

The table below summarises the changes to the commodity charges being made in October. A comparison between the average commodity rate during 2010/11 and the average for 2011/12 is also provided.

Charge	April 2011 (Current)	Oct 2011 Indicative	Oct 2011 Final	Annual Average ¹	
				10/11	11/12
NTS TO Commodity	0.0198	0.0240	0.0232	0.0187	0.0224
NTS SO Commodity	0.0179	0.0219	0.0246	0.0171	0.0225
St. Fergus Compression	0.0136	0.0143	0.0172	0.0095	0.0161

¹ Calculated from the forecast annual revenue collectable from the charge and the relevant forecast annual chargeable volumes

TO Exit Capacity Charges

NTS TO Exit Capacity charges to apply from 1st October 2011 together with the current, indicative and absolute changes are provided in the table appended to this notice. The final charges are generally lower than those given in the indicative notice.

The charges have been derived from our Transportation Model. This model has been updated to reflect changes in the pipeline network, supply patterns, the expansion constant and target revenue, all of which will affect exit charges. However, the following points should be noted:

- ❑ Network changes have had a negligible impact on charges.
- ❑ An increase in the expansion factor by 4.4%, to reflect a rise in the cost of investment, has effectively “stretched” the network thus increasing the range of exit charges.
- ❑ Peak demand forecasts have risen by 8% compared to last year driven by expected increases in demand for gas at new power stations and the Moffat Interconnector; coupled with an increase caused by the DNs switching interruptible capacity to firm capacity following the introduction of DN Modification 90 ‘Revised DN Interruption Arrangements’.
- ❑ Modelled gas flows have been affected by a change in forecasts of supply sources as shown in the latest Ten Year Statement (December 2010). There has been a forecast decrease in supplies from the north (in particular St. Fergus) and an increase from Milford Haven and Isle of Grain. Consequently, compared to current charges, exit points in the northern and north western areas have seen increases in their indicative charges, whereas charges in the south and Wales have fallen.
- ❑ An increase in target exit revenue, driven by inflation between 2010/11 and 2011/12, has increased exit capacity charges by up to 0.0019 p/kWh/pd, subject to rounding and the minimum price collar. However, this increase has been partially offset by the increase in peak demand forecasts, as outlined above.

Administration Charges

Subject to the Authority’s approval of UNC Modification 352 (the introduction of an interruptible reverse flow service at Moffat Interconnector), the administration charge applied to shippers using the Moffat interconnector related to operation of the flow control valve and exit flow profile notifications will be set to **£0.00 /shipper/day**. Should the Authority’s approval be delayed this charge change will then be effective from the revised date.

Tools and Supporting Information

National Grid anticipates making the Transportation Model available to parties that have signed the licence agreement for the model. Details of how to obtain the model can be found on the charging section of our website¹. Other supporting charge setting information will also be made available on the National Grid website at <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>, including a charge setting report that details the various cost and revenue components of

¹ <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>

charges; the variances in these amounts; and illustrates how they are used to determine charges, as well as a new guide to the main transmission charges. We welcome any feedback you may have regarding the various tools and supporting information currently available so we can further tailor them to customer needs, as well as feedback on anything else you would like to know more about or see added in the future.

These charge changes will be discussed in more detail at a subsequent Gas NTS Charging Methodology Forum (NTSCMF) and the slides for this will be available on our web site prior to the meeting at <http://www.nationalgrid.com/uk/Gas/Charges/TCMF/>.

If you have any questions about this Notice, feedback, or NTS charges in general, please contact myself, Karin Elmhirst (01926 655540) or Damian Clough (01926 656416), or alternatively you can email charging.enquiries@uk.ngrid.com

Yours sincerely

Anne Bennett
Charging and Revenue Manager

NTS TO Exit Capacity Charges from 1st October 2011 to 30th September 2012

Invoice	Charge Code
CAP	NDX (DM)

Network	DN Exit Zone	Pence per peak day kWh per day				
		Current	Indicative at May 11	Final for Oct 11	Change on Indicative	Change on Current
East of England	EA1	0.0042	0.0048	0.0046	-0.0002	0.0004
	EA2	0.0049	0.0047	0.0044	-0.0003	-0.0005
	EA3	0.0001	0.0002	0.0001	-0.0001	0.0000
	EA4	0.0100	0.0108	0.0105	-0.0003	0.0005
	EM1	0.0001	0.0001	0.0001	0.0000	0.0000
	EM2	0.0030	0.0035	0.0032	-0.0003	0.0002
	EM3	0.0139	0.0149	0.0146	-0.0003	0.0007
	EM4	0.0092	0.0100	0.0098	-0.0002	0.0006
North of England	NE1	0.0045	0.0049	0.0046	-0.0003	0.0001
	NE2	0.0006	0.0008	0.0007	-0.0001	0.0001
	NE3	0.0001	0.0001	0.0001	0.0000	0.0000
	NO1	0.0035	0.0050	0.0048	-0.0002	0.0013
	NO2	0.0033	0.0055	0.0053	-0.0002	0.0020
London	NT1	0.0195	0.0206	0.0203	-0.0003	0.0008
	NT2	0.0109	0.0117	0.0114	-0.0003	0.0005
	NT3	0.0103	0.0112	0.0109	-0.0003	0.0006
North West	NW1	0.0142	0.0169	0.0166	-0.0003	0.0024
	NW2	0.0189	0.0217	0.0214	-0.0003	0.0025
Scotland	SC1	0.0001	0.0001	0.0001	0.0000	0.0000
	SC2	0.0001	0.0001	0.0001	0.0000	0.0000
	SC4	0.0001	0.0001	0.0001	0.0000	0.0000
South of England	SE1	0.0136	0.0130	0.0121	-0.0009	-0.0015
	SE2	0.0195	0.0206	0.0203	-0.0003	0.0008
	SO1	0.0139	0.0149	0.0146	-0.0003	0.0007
	SO2	0.0224	0.0239	0.0236	-0.0003	0.0012
Wales & the West	SW1	0.0150	0.0161	0.0159	-0.0002	0.0009
	SW2	0.0230	0.0247	0.0244	-0.0003	0.0014
	SW3	0.0340	0.0360	0.0358	-0.0002	0.0018
	WA1	0.0225	0.0239	0.0236	-0.0003	0.0011
	WA2	0.0079	0.0088	0.0085	-0.0003	0.0006
West Midlands	WM1	0.0180	0.0192	0.0189	-0.0003	0.0009
	WM2	0.0146	0.0157	0.0154	-0.0003	0.0008
	WM3	0.0130	0.0141	0.0138	-0.0003	0.0008

NTS TO Exit Capacity Charges (continued)

NTS Sites	Site Name as NTS Licence Special Condition C8E	Pence per peak day kWh per day				
		Current	Indicative at May 11	Final for Oct 11	Change on Indicative	Change on Current
Baglan Bay PG	Tonna (Baglan Bay)	0.0055	0.0063	0.0060	-0.0003	0.0005
Barking PG	Barking (Horndon)	0.0107	0.0115	0.0113	-0.0002	0.0006
Billingham ICI	Billingham ICI (Terra Billingham)	0.0048	0.0062	0.0060	-0.0002	0.0012
BP Grangemouth	Blackness (BP Grangemouth)	0.0001	0.0001	0.0001	0.0000	0.0000
BP Saltend HP	Saltend BPHP (BP Saltend HP)	0.0001	0.0001	0.0001	0.0000	0.0000
Bridgewater Paper	Shotwick (Bridgewater Paper)	0.0215	0.0255	0.0252	-0.0003	0.0037
Brigg PG	Blyborough (Brigg)	0.0018	0.0023	0.0020	-0.0003	0.0002
Brimsgate PG	Epping Green (Enfield Energy, aka Brimsgate)	0.0112	0.0121	0.0118	-0.0003	0.0006
Brunner Mond	Pickmere (Winnington Power, aka Brunner Mond)	0.0187	0.0215	0.0213	-0.0002	0.0026
Centrax	Centrax Industrial	0.0333	0.0353	0.0351	-0.0002	0.0018
Connahs Quay PS	Burton Point (Connahs Quay)	0.0211	0.0253	0.0248	-0.0005	0.0037
Corby PS	Caldecott (Corby Power Station)	0.0090	0.0099	0.0096	-0.0003	0.0006
Coryton PG	Stanford Le Hope (Coryton)	0.0110	0.0118	0.0110	-0.0008	0.0000
Cottam PG	Blyborough (Cottam)	0.0028	0.0033	0.0030	-0.0003	0.0002
Damhead Creek	Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	0.0102	0.0097	0.0088	-0.0009	-0.0014
Deeside PS	Deeside	0.0215	0.0252	0.0248	-0.0004	0.0033
Didcot PS	Didcot A/B	0.0151	0.0161	0.0158	-0.0003	0.0007
Goole Glass	Goole (Guardian Glass)	0.0014	0.0019	0.0016	-0.0003	0.0002
Grain Gas	Grain Power Station	0.0102	0.0097	0.0088	-0.0009	-0.0014
Great Yarmouth	Bacton (Great Yarmouth)	0.0001	0.0001	0.0001	0.0000	0.0000
Hays Chemicals	Hollingsgreen (Hays Chemicals)	0.0199	0.0220	0.0217	-0.0003	0.0018
ICI Runcorn	Weston Point (Castner Kelner, aka ICI Runcorn)	0.0234	0.0256	0.0253	-0.0003	0.0019
Immingham PG	Thornton Curtis (Humber Refinery, aka Immingham)	0.0001	0.0001	0.0001	0.0000	0.0000
Keadby PS	Eastoft (Keadby and Keadby Blackstart)	0.0026	0.0031	0.0029	-0.0002	0.0003
Kemira Ince CHP	Shellstar (aka Kemira, not Kemira CHP)	0.0230	0.0252	0.0249	-0.0003	0.0019
Kings Lynn PS	Saddle Bow (Kings Lynn)	0.0031	0.0037	0.0034	-0.0003	0.0003
Langage PG	Langage Power Station	0.0364	0.0385	0.0382	-0.0003	0.0018
Little Barford PS	St. Neots (Little Barford)	0.0070	0.0077	0.0074	-0.0003	0.0004
Longannet	Gowkhall (Longannet)	0.0001	0.0001	0.0001	0.0000	0.0000
Marchwood	Marchwood Power Station	0.0234	0.0248	0.0245	-0.0003	0.0011
Medway PS	Medway (aka Isle of Grain Power Station, NOT Grain Power)	0.0101	0.0096	0.0087	-0.0009	-0.0014
Milford Haven Refinery	Upper Neeston (Milford Haven Refinery)	0.0001	0.0001	0.0001	0.0000	0.0000
Pembroke PS	Pembroke Power Station	0.0001	0.0001	0.0001	0.0000	0.0000
Peterborough PS	Peterborough (Peterborough Power Station)	0.0052	0.0059	0.0056	-0.0003	0.0004
Peterhead PG	St. Fergus (Peterhead)	0.0001	0.0001	0.0001	0.0000	0.0000
Phillips Seal Sands	Phillips Petroleum, Teeside	0.0041	0.0055	0.0052	-0.0003	0.0011
Rocksavage PG	Weston Point (Rocksavage)	0.0234	0.0256	0.0253	-0.0003	0.0019
Roosecote PS	Roosecote (Roosecote Power Station)	0.0054	0.0077	0.0074	-0.0003	0.0020
Rye House PS	Ryehouse	0.0116	0.0126	0.0123	-0.0003	0.0007
Saltend	Rosehill (Saltend Power Station)	0.0001	0.0001	0.0001	0.0000	0.0000
Sappi Paper Mill	Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	0.0141	0.0167	0.0165	-0.0002	0.0024
Seabank Power	Abson (Seabank Power Station phase I)	0.0219	0.0234	0.0231	-0.0003	0.0012
Seabank Power II	Seabank (Seabank Power Station phase II)	0.0238	0.0254	0.0251	-0.0003	0.0013
Sellafield PS	Sellafield Power Station	0.0096	0.0121	0.0118	-0.0003	0.0022
Shotton Paper	Harwarden (Shotton, aka Shotton Paper)	0.0212	0.0252	0.0249	-0.0003	0.0037
Spalding PG	Wragg Marsh (Spalding)	0.0042	0.0049	0.0046	-0.0003	0.0004
St. Fergus Site	St. Fergus (Shell BlackStart)	0.0001	0.0001	0.0001	0.0000	0.0000
Stallingborough PS	Stallingborough (phase 1 and 2)	0.0001	0.0001	0.0001	0.0000	0.0000
Staythorpe	Staythorpe PH1 and PH2	0.0002	0.0007	0.0062	0.0055	0.0060
Sutton Bridge PS	Sutton Bridge Power Station	0.0045	0.0051	0.0049	-0.0002	0.0004

Teesside BASF	Teesside (BASF, aka BASF Teesside)	0.0041	0.0055	0.0052	-0.0003	0.0011
Teesside Hydrogen	Teesside Hydrogen	0.0041	0.0055	0.0053	-0.0002	0.0012
Teesside PS	Enron Billingham	0.0048	0.0062	0.0060	-0.0002	0.0012
Thornton Curtis PG	Thornton Curtis (Killingholme)	0.0001	0.0001	0.0001	0.0000	0.0000
West Burton PS	West Burton Power Station	0.0028	0.0034	0.0031	-0.0003	0.0003
Zeneca	Zeneca (ICI Avecia, aka 'Zenica')	0.0048	0.0062	0.0060	-0.0002	0.0012

Interconnectors						
Bacton Interconnector	Bacton (UK/BBL)	0.0001	0.0001	0.0001	0.0000	0.0000
Moffat	Moffat (Irish Interconnector)	0.0001	0.0003	0.0001	-0.0002	0.0000

Storage Sites						
Avonmouth LNG	Avonmouth Max Refill	0.0238	0.0253	0.0251	-0.0002	0.0013
Barton Stacey	Barton Stacey Max Refill (Humbly Grove)	0.0216	0.0228	0.0225	-0.0003	0.0009
Caythorpe	Caythorpe	0.0001	0.0001	0.0001	0.0000	0.0000
Cheshire (MRS)	Holford, Stublach(Cheshire)	0.0194	0.0214	0.0212	-0.0002	0.0018
Dynevor Arms LNG	Dynevor Max Refill	0.0074	0.0082	0.0079	-0.0003	0.0005
Garton (MRS)	Garton Max Refill (Aldbrough)	0.0001	0.0001	0.0001	0.0000	0.0000
Glenmavis	Glenmavis Max Refill	0.0001	0.0001	0.0001	0.0000	0.0000
Hatfield Moor (MRS)	Hatfield Moor Max Refill	0.0019	0.0024	0.0021	-0.0003	0.0002
Holehouse Farm (MRS)	Hole House Max Refill	0.0202	0.0223	0.0220	-0.0003	0.0018
Hornsea (MRS)	Hornsea Max Refill	0.0001	0.0001	0.0001	0.0000	0.0000
Partington	Partington Max Refill	0.0180	0.0209	0.0206	-0.0003	0.0026
Rough	Rough Max Refill	0.0001	0.0001	0.0001	0.0000	0.0000