

Ian Marlee,
Senior Partner Transmission
Ofgem
9 Millbank
London
SW1P 3GE

Anne Bennett
Charging & Revenue Manager

Anne.bennett@nationalgrid.com
Direct tel +44 (0)7767 298987

www.nationalgrid.com

29 June 2012

Dear Ian,

Notice of MSEC and DSEC Reserve Prices for Capacity used from 1 October 2012

National Grid is publishing this notice of revised system entry capacity reserve prices two months in advance of the Rolling Monthly Trade & Transfer System Entry Capacity (RMTNTSEC) auction of system entry capacity, consistent with our Licence and Uniform Network Code obligations.

The changes to Monthly System Entry Capacity (MSEC) and Daily System Entry Capacity (DSEC) prices are shown in the attachment to this notice, with the new prices shown in bold. We have also updated Table 3 of the NTS Gas Transportation Charges Statement dated 1 April 2012. The full updated Statement can be found on our website at: <http://www.nationalgrid.com/uk/Gas/Charges/statements/>

It should be noted that the system entry capacity (RMTNTSEC and DSEC) purchased during September 2012 for use from 1 October 2012 will be subject to the revised reserve prices given in this notice. The revised prices have been calculated using the Transportation model which has been updated to reflect changes in demand levels, the pipeline network, supply patterns, obligated entry capacity levels and the cost of investment through the expansion constant, all of which may affect the charges. All prices have been calculated using the maximum available quantity of obligated NTS SO Baseline entry capacity levels as specified in the NTS Licence.

Those entry points furthest from demand have tended to see a small increase in prices due to the updated expansion constant. Elsewhere, prices have generally decreased, following changes to supply and demand. These changes will be discussed in more detail at the next NTS Charging Methodology Forum (NTSCMF) details of which will be made available shortly. A more detailed description of the changes will be available on our website¹ and a copy of National Grid's Transportation model will be sent out to parties that have signed the licence agreement. Details of how to obtain the model and other supporting charge setting information can also be found on our website in the same area.

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

Further updates to capacity and commodity prices

National Grid is also preparing to publish updates to commodity charges for 2012/13 and capacity prices for future auctions. The notice of actual commodity charges that shall apply from 1 October 2012 will be published by 1 August 2012, in line with the two months notice required by our licence and Network Code obligations. Entry prices for future gas years used in the Annual Monthly System Entry Capacity (AMSEC) and Quarterly System Entry Capacity (QSEC) auctions will be published by 1 August 2012 and in January 2013, respectively.

If you have any questions relating to this notice, or NTS charges in general, please contact myself or Karin Elmhirst on 01962 655540.

Yours Sincerely,

Anne Bennett
Charging & Revenue Manager

Table 3 Entry Capacity Reserve Prices for Capacity for use from 1 October 2011

MSEC Reserve Prices, Pence per kWh per day

| Entry Point | from 1 Oct 11 to 30 Sep 12 | from 1 Oct 12 to 30 Sep 13 | Change |
|--|---------------------------------------|---------------------------------------|---------------|
| Coastal Terminals & LNG Importation | | | |
| Bacton | 0.0098 | 0.0081 | -0.0017 |
| Barrow | 0.0001 | 0.0002 | 0.0001 |
| Easington&Rough | 0.0123 | 0.0107 | -0.0016 |
| Isle of Grain | 0.0020 | 0.0001 | -0.0019 |
| Milford Haven | 0.0215 | 0.0193 | -0.0022 |
| St Fergus | 0.0399 | 0.0410 | 0.0011 |
| Teesside | 0.0086 | 0.0074 | -0.0012 |
| Theddlethorpe | 0.0118 | 0.0106 | -0.0012 |
| Onshore Fields and Connections | | | |
| Burton Point | 0.0001 | 0.0001 | 0.0000 |
| Hatfield Moor | 0.0050 | 0.0032 | -0.0018 |
| Hole House Farm | 0.0001 | 0.0001 | 0.0000 |
| Wytch Farm | 0.0001 | 0.0001 | 0.0000 |
| Storage | | | |
| Barton Stacey | 0.0001 | 0.0001 | 0.0000 |
| Caythorpe | 0.0115 | 0.0118 | 0.0003 |
| Cheshire | 0.0001 | 0.0001 | 0.0000 |
| Fleetwood | 0.0036 | 0.0019 | -0.0017 |
| Garton | 0.0134 | 0.0109 | -0.0025 |
| Glenmavis | 0.0124 | 0.0123 | -0.0001 |
| Hatfield Moor | 0.0050 | 0.0032 | -0.0018 |
| Hornsea | 0.0109 | 0.0110 | 0.0001 |
| Partington | 0.0001 | 0.0001 | 0.0000 |
| Constrained LNG | | | |
| Avonmouth | 0.0001 | 0.0001 | 0.0000 |
| Dynevor Arms | 0.0001 | 0.0071 | 0.0070 |
| Moffat² | | | |
| Moffat ² | - | 0.0054 | - |

² The Moffat reserve price is for use in overrun calculations only, no firm capacity will be released.

Table 3 continued

| Entry Point | DSEC | | |
|--|-------------------------------|-------------------------------|---------|
| | from 1 Oct 11 to 30 Sep 12 | from 1 Oct 12 to 30 Sep 13 | Change |
| Coastal Terminals & LNG Importation | | | |
| Bacton | 0.0065 | 0.0054 | -0.0011 |
| Barrow | 0.0001 | 0.0001 | 0.0000 |
| Easington&Rough | 0.0082 | 0.0071 | -0.0011 |
| Isle of Grain | 0.0013 | 0.0001 | -0.0012 |
| Milford Haven | 0.0143 | 0.0129 | -0.0014 |
| St Fergus | 0.0266 | 0.0273 | 0.0007 |
| Teesside | 0.0057 | 0.0049 | -0.0008 |
| Theddlethorpe | 0.0079 | 0.0071 | -0.0008 |
| Onshore Fields and Connections | | | |
| Burton Point | 0.0001 | 0.0001 | 0.0000 |
| Hatfield Moor | 0.0033 | 0.0021 | -0.0012 |
| Hole House Farm | 0.0001 | 0.0001 | 0.0000 |
| Wytch Farm | 0.0001 | 0.0001 | 0.0000 |
| Storage | | | |
| Barton Stacey | 0.0001 | 0.0001 | 0.0000 |
| Caythorpe | 0.0077 | 0.0079 | 0.0002 |
| Cheshire | 0.0001 | 0.0001 | 0.0000 |
| Fleetwood | 0.0024 | 0.0013 | -0.0011 |
| Garton | 0.0089 | 0.0073 | -0.0016 |
| Glenmavis | 0.0083 | 0.0082 | -0.0001 |
| Hatfield Moor | 0.0033 | 0.0021 | -0.0012 |
| Hornsea | 0.0073 | 0.0073 | 0.0000 |
| Partington | 0.0001 | 0.0001 | 0.0000 |
| Constrained LNG | | | |
| Avonmouth | 0.0001 | 0.0001 | 0.0000 |
| Dynevor Arms | 0.0001 | 0.0047 | 0.0046 |
| | | | |
| Moffat | - | 0.0037 | - |