



Mr Ian Marlee
Senior Partner, Transmission
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Mike Calviou
Director, Transmission Network
Service

mike.calviou@nationalgrid.com

Direct tel: +44 (0)1926 655873

www.nationalgrid.com

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Dear Ian,

Open Letter – Request for a direction from the Authority to change NTS Exit Capacity charges to be effective 1 April 2013

This letter is seeking direction from the Authority, under Standard Special Condition A4 (“SSC A4”) (Charging - General) paragraph 2(a)(ii) of National Grid Gas Plc’s (“National Grid”) Gas Transporter Licence in respect of the NTS (the “Licence”), to permit a one off April 2013 change to NTS Exit Capacity charges.

Paragraph 2(a)(ii) of SSC A4 of the Licence only permits changes to charges once in each formula year on 1 October unless National Grid has received a written direction from the Authority stating that the change can take place on another date.

On 19 December 2012 I sent an open letter¹ to Bogdan Kowalewicz and yourself proposing a way forward in addressing expected volatility in NTS Exit Capacity charging following the receipt of industry responses to the Gas Charging Discussion consultation document, NTS GCD 10. It set out the background, the issue and National Grid’s proposals to address NTS Exit Capacity charge volatility, based on the consultation responses received. The resulting NTS GCD 10R Report and all industry responses to NTS GCD 10 are available on National Grid’s website² along with the original charging discussion document. As part of the open letter National Grid also stated that it would provide further price analysis based on the RIIO-T1 Final Proposals. This analysis has now been completed and is provided in the two appendices detailed below. Whilst the analysis is based on the allowed revenues from the RIIO-T1 Final Proposals, these allowed revenues could change through the RIIO-T1 period, therefore National Grid’s analysis for future years only provides an indication of the likely impact on NTS Exit Capacity charges.

¹ [OfgemLetterAproneoffExitCapChargeChangeDirectionRequestv10.pdf](#)

² <http://www.nationalgrid.com/uk/Gas/Charges/consultations/Current+Discussion+Papers/>



Appendix A of this notice shows, based on the RIIO-T1 Final Proposals, the impact over time that a one off April 2013 change would have in addressing volatility of NTS Exit Capacity charges.

Appendix B of this notice contains the NTS Exit Capacity charges, based on the RIIO-T1 final proposals⁴ figures⁵, that we propose be effective from 1 April 2013 to 30 September 2013 inclusive, subject to a direction from Ofgem to permit a one off April 2013 change. It shows all NTS Exit Capacity charges would reduce from their current level, other than those exit points already at the minimum price.

In order to provide industry stakeholders with as much notice as possible of any change we would therefore be grateful if, at the earliest opportunity, Ofgem could inform us whether a decision on the issuing of a direction permitting the one off April 2013 change or otherwise, could be issued prior to 1 February 2013⁶, pursuant to paragraph 2(a)(ii) of SSC A4.

For the avoidance of doubt, NTS Exit Capacity charges to be effective from 1 October 2013 will be issued on 1 May 2013.

If you have any queries regarding the calculation of NTS Exit Capacity charges or require any additional information to facilitate a decision on this request for change, please do not hesitate to contact Steve Fisher on 01926 653428 or Colin Williams on 01926 655916.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mike Calviou".

Mike Calviou
Director, Transmission Network Service

cc: Bogdan Kowalewicz - Ofgem

⁴ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=342&refer=Networks/Trans/PriceControls/RIIO-T1/ConRes>

⁵ Given the timing of setting charges, we have used the figures which result from Ofgem's Final Proposals, however this should not be interpreted as acceptance of the Final Proposals by National Grid

⁶ In order to give at least 2 months' notice for 1 April 2013