

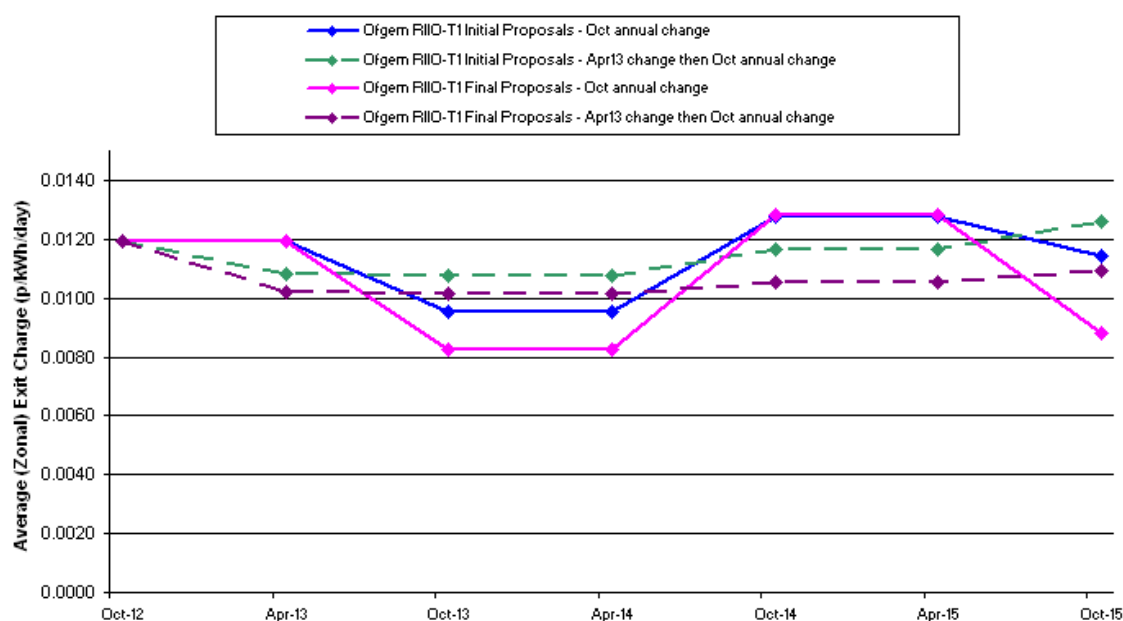
Appendix A – Impact of Final April 2013 charges in addressing volatility in NTS Exit Capacity Charges

This Appendix summarises the impact a one off April 2013 change to NTS Exit Capacity Charges would have and illustrates the benefits it has in addressing volatility in NTS Exit Capacity charges. To show the impact a one off April 2013 change would have on the profile of charges over time, charges have been calculated up to 2015/16 to show a comparison between:

- Setting NTS Exit Capacity charges annually for October (current position); and
- Setting for April 2013 for six months only then continuing with October annual setting from October 2013 onwards.

National Grid has previously shown industry stakeholders illustrative average NTS Exit Zone charges based on the RIIO-T1 initial proposals with and without a one off April 2013 change and documented the impact on NTS Exit Capacity charges in the charging discussion report, NTS GCD 10R¹. National Grid is now in a position to provide actual NTS Exit Capacity charges for April 2013, should a change be permitted to use the proposed charges shown in Appendix B, and provide illustrative charges for subsequent years² based on the RIIO-T1 final proposals with and without a one off April change. These charges based on the RIIO-T1 final proposals are shown in Chart 1 below and demonstrate the impact the one off change would have on charges from April 2013 and how volatility is lessened over time when compared to normal October charge setting.

Chart 1: Comparison of average zonal charges between Ofgem RIIO-T1 Initial Proposals and Ofgem RIIO-T1 Final Proposals with and without an April one off change



In comparing the impact of incorporating a one off April 2013 change to NTS Exit Capacity charges, shown in Chart 1, against continuing only with October charge setting shows that without a one off change greater volatility would remain in NTS Exit Capacity charges. With a one off April 2013 change, this volatility is reduced, lessening the overall size of changes seen in charges from year to year, providing more stability to the charges over time.

¹ NTS GCD 10R - Charging Discussion Report available on the National Grid website at <http://www.nationalgrid.com/uk/Gas/Charges/consultations/Current+Discussion+Papers/>

² Charges shown here are average NTS Exit Zone charges and are for illustrative purposes. Baseline revenues have been used to calculate future years and are subject to change as required by the RIIO-T1 Final Proposals including the uncertainty mechanisms and true-up provisions.