

All Shippers & Interested Parties

16 January 2020

Dear Industry Participant

Notice of Revised NTS Entry Capacity QSEC Reserve and Step Prices

The next annual auctions for Quarterly System Entry Capacity (QSEC) will be held in March 2020. National Grid is publishing this notice of revised NTS transportation charges two months in advance of the next QSEC auction, consistent with our Licence and Uniform Network Code (UNC) obligations.

Our Transportation model has been updated to reflect changes in demand levels, the pipeline network, supply patterns, and the cost of investment through the expansion constant, all of which may affect the charges. Step prices have been recalculated in accordance with the methodology set out in the latest approved **Entry Capacity Release Methodology Statement (ECR)**¹

Attached is an update to Appendix D of the NTS Gas Transportation Charges Statement 1 October 2019, which details the reserve and step prices for use in the March 2020 QSEC auction and replaces any previous versions of this appendix. **Table 1** below summarises the change in reserve prices at each NTS Aggregate System Entry Point (ASEP).

- We have continued to use the 'Updated Forecast' data given in the Gas Ten Year Statement 2018, which is National Grid's shorter term view of the current trajectory of energy supply and demands.
- Total gas supply has been increased to match demand using the supply balancing rules detailed in the UNC Section Y Charging Methodologies 2.5.1 (c).
- The expansion constant, which represents the average cost of investment in pipe and compression, has been updated in line with inflation forecasts and has increased by 2.9%. Those ASEPs furthest away from centres of demand are more sensitive to changes in the expansion constant as an increase in supply from these ASEPs would require greater investment in order to transport gas to demand.

For all Entry points an **Estimated Project Value** (£m) has also been calculated for each Incremental Capacity level and this information has been added to this notice. This is also available in Appendix E of the [Transportation Charging Statement](#). The net present value (NPV) of the revenues from incremental bids is required to be at least 50% of the estimated project value in order to trigger the release of incremental obligated Entry Capacity (as given in Chapter 6 of the ECR Methodology Statement²).

¹ <https://www.nationalgridgas.com/capacity/capacity-methodology-statements>

² <https://www.nationalgridgas.com/capacity/capacity-methodology-statements>

Please note that details of the **NTS Entry Capacity retention charge** are available in the Transportation Charging Statement and remain unchanged. The statement can be found on our website at <https://www.nationalgridgas.com/charging/transmission-system-charges>

There are UNC Charging modifications which may affect the Transportation Charging methodology for the Gas Year starting 1 October 2020. Of note is Modification 0678 'Amendments to Gas Transmission Charging Regime' (including ten alternates) for which Ofgem published a minded to position and impact assessment on 23 December 2019 (<https://www.ofgem.gov.uk/publications-and-updates/amendments-gas-transmission-charging-regime-minded-decision-and-draft-impact-assessment>). This included a preference for October 2020 as the proposed effective date. As a decision is expected in the near future, this means there is the potential for the payable prices associated with capacity allocated and commodity charges to be impacted by such modifications.

Additional modifications may also impact the payable prices and aspects of the charging regime for the Gas Year starting 1 October 2020. Market participants should keep up to date and engage with live UNC changes and be aware of those with Ofgem for decision via the Joint Office (<http://www.gasgovernance.co.uk/livemods> and <http://gasgovernance.co.uk/index.php/withofgem>).

Please note that the charges included in this notice are currently calculated solely on the current methodology, in line with the UNC, and will continue to be so until more certainty is available on the potential changes.

If you have any questions or feedback relating to this notice, or NTS charges in general, please contact Dave Bayliss on 01926 656853 dave.bayliss@nationalgrid.com or email our charging team at box.transmissioncapacityandcharging@nationalgrid.com.

Yours sincerely

Steve Fisher
Commercial Operations Manager – Gas SO
Steve.r.fisher@nationalgrid.com

Table 1 - Change in Reserve Price by ASEP compared to QSEC 2019

Pence/kWh/day

	QSEC19	QSEC 20	Change
Avonmouth	0.0001	0.0001	0.0000
Bacton UKCS	0.0104	0.0094	-0.0010
Barrow	0.0001	0.0045	0.0044
Barton Stacey	0.0001	0.0001	0.0000
Burton Point	0.0001	0.0001	0.0000
Canonbie	0.0001	0.0020	0.0019
Caythorpe	0.0129	0.0126	-0.0003
Cheshire	0.0006	0.0001	-0.0005
Dynevor Arms	0.0096	0.0092	-0.0004
Easington & Rough	0.0164	0.0149	-0.0015
Fleetwood	0.0001	0.0001	0.0000
Garton	0.0137	0.0131	-0.0006
Glenmavis	0.0125	0.0129	0.0004
Hatfield Moor	0.0038	0.0033	-0.0005
Hole House Farm	0.0001	0.0001	0.0000
Hornsea	0.0134	0.0143	0.0007
Isle of Grain	0.0001	0.0001	0.0000
Milford Haven	0.0240	0.0240	0.0000
Partington	0.0001	0.0001	0.0000
St Fergus	0.0532	0.0520	-0.0012
Teesside	0.0091	0.0088	-0.0003
Theddlethorpe	0.0171	0.0135	-0.0036
Wytch Farm	0.0001	0.0001	0.0000
Murrow	0.0001	0.0001	0.0000

Appendix D QSEC Step Prices 2020

Below are the Entry Capacity reserve prices together with the price steps for each level of Incremental Capacity for use in the auction of Quarterly System Entry Capacity (QSEC).

Pence/kWh/day

	Bacton Terminal UKCS	Barrow	Cheshire	Canonbie	Easington & Rough	Fleetwood	Garton	Isle of Grain	Milford Haven	St Fergus	Teesside	Theddlethorpe
Obligated Level	0.0094	0.0045	0.0001	0.0020	0.0149	0.0001	0.0131	0.0001	0.0240	0.0520	0.0088	0.0135
2.5%	0.0095	0.0046	0.0019	0.0021	0.0150	0.0002	0.0132	0.0002	0.0241	0.0540	0.0089	0.0136
5.0%	0.0096	0.0047	0.0037	0.0022	0.0151	0.0003	0.0133	0.0003	0.0242	0.0542	0.0090	0.0137
7.5%	0.0097	0.0048	0.0046	0.0023	0.0167	0.0016	0.0134	0.0004	0.0243	0.0549	0.0091	0.0143
10.0%	0.0100	0.0049	0.0047	0.0024	0.0168	0.0017	0.0135	0.0005	0.0244	0.0553	0.0092	0.0144
12.5%	0.0101	0.0050	0.0048	0.0025	0.0169	0.0018	0.0136	0.0089	0.0245	0.0566	0.0100	0.0160
15.0%	0.0102	0.0060	0.0049	0.0026	0.0170	0.0019	0.0137	0.0090	0.0246	0.0567	0.0101	0.0161
17.5%	0.0103	0.0061	0.0050	0.0027	0.0171	0.0025	0.0138	0.0091	0.0247	0.0570	0.0102	0.0162
20.0%	0.0104	0.0062	0.0051	0.0028	0.0172	0.0026	0.0139	0.0092	0.0248	0.0575	0.0103	0.0163
22.5%	0.0105	0.0063	0.0052	0.0034	0.0173	0.0033	0.0140	0.0093	0.0249	0.0577	0.0104	0.0166
25.0%	0.0106	0.0070	0.0053	0.0035	0.0174	0.0036	0.0141	0.0096	0.0252	0.0584	0.0113	0.0167
27.5%	0.0107	0.0071	0.0054	0.0036	0.0183	0.0037	0.0142	0.0097	0.0253	0.0609	0.0118	0.0168
30.0%	0.0108	0.0072	0.0055	0.0045	0.0184	0.0038	0.0149	0.0098	0.0254	0.0610	0.0119	0.0176
32.5%	0.0109	0.0081	0.0056	0.0052	0.0185	0.0039	0.0150	0.0099	0.0255	0.0611	0.0129	0.0177
35.0%	0.0110	0.0082	0.0057	0.0053	0.0186	0.0040	0.0151	0.0100	0.0256	0.0612	0.0130	0.0178
37.5%	0.0111	0.0083	0.0058	0.0063	0.0187	0.0041	0.0152	0.0101	0.0269	0.0613	0.0131	0.0179
40.0%	0.0112	0.0084	0.0059	0.0066	0.0188	0.0056	0.0153	0.0102	0.0271	0.0614	0.0132	0.0180
42.5%	0.0113	0.0085	0.0060	0.0067	0.0189	0.0057	0.0154	0.0103	0.0276	0.0615	0.0133	0.0181
45.0%	0.0114	0.0086	0.0061	0.0068	0.0190	0.0058	0.0155	0.0116	0.0300	0.0616	0.0134	0.0182
47.5%	0.0115	0.0087	0.0062	0.0069	0.0191	0.0059	0.0156	0.0117	0.0301	0.0617	0.0135	0.0183
50.0%	0.0116	0.0102	0.0063	0.0070	0.0202	0.0060	0.0157	0.0120	0.0303	0.0618	0.0154	0.0184
Obligated Level (GWh/d)	485.6	340.0	556.3	0	1407.15	350	420	699.68	950	1670.7	445.1	610.7

Appendix D QSEC Step Prices 2020 (cont)

Pence/kWh/day

Hole House Farm		Hornsea		Partington		Avonmouth		Barton Stacey	
Obligated Level		Obligated Level		Obligated Level		Obligated Level		Obligated Level	
	0.0001		0.0143		0.0001		0.0001		0.0001
5.1%	0.0002	6.4%	0.0144	7.0%	0.0013	8.4%	0.0002	8.7%	0.0115
10.1%	0.0003	12.9%	0.0146	14.0%	0.0014	16.7%	0.0003	17.4%	0.0122
15.2%	0.0004	19.3%	0.0147	20.9%	0.0015	25.1%	0.0004	26.1%	0.0123
20.2%	0.0006	25.7%	0.0148	27.9%	0.0016	33.5%	0.0007	34.8%	0.0124
25.3%	0.0024	32.2%	0.0149	34.9%	0.0020	41.8%	0.0008	43.5%	0.0129
30.3%	0.0027	38.6%	0.0150	41.9%	0.0021	50.2%	0.0009	52.1%	0.0130
35.4%	0.0068	45.0%	0.0151	48.8%	0.0033				
40.5%	0.0072	51.5%	0.0152	55.8%	0.0043				
45.5%	0.0097								
50.6%	0.0129								
Obligated Level (GWh/d)	296.6		233.1		215		179.3		172.6

Pence/kWh/day

	Burton Point	Caythorpe	Dynevor Arms	Glenmavis	Hatfield Moor	Murrow	Wytch Farm
Obligated Level	0.0001	0.0126	0.0092	0.0129	0.0033	0.0001	0.0001
10%	0.0003	0.0127	0.0093	0.0132	0.0034	0.0002	0.0002
20%	0.0004	0.0128	0.0094	0.0133	0.0035	0.0003	0.0003
30%	0.0020	0.0129	0.0095	0.0176	0.0036	0.0004	0.0004
40%	0.0021	0.0130	0.0096	0.0177	0.0037	0.0005	0.0005
50%	0.0022	0.0131	0.0097	0.0178	0.0038	0.0006	0.0006
Obligated Level (GWh/d)	73.5	90	49	99	25.3	0.5	3.3

Appendix E Estimated Project Value, £m

£m

	Bacton Terminal UKCS	Barrow	Cheshire	Canonbie	Easington & Rough	Fleetwood	Garton	Isle of Grain	Milford Haven	St Fergus	Teesside	Theddlethorpe
Obligated Level												
2.5%	4.06	1.36	0.94	1.07	18.63	0.03	4.89	0.06	20.25	80.14	3.48	7.32
5.0%	8.11	2.72	3.66	2.13	37.75	0.06	9.78	0.12	40.51	160.88	6.96	14.65
7.5%	12.29	4.08	6.82	3.36	62.63	1.49	14.66	0.19	60.76	244.44	10.79	23.27
10.0%	17.26	5.44	9.09	4.48	83.50	1.99	19.55	0.25	81.02	328.29	14.39	31.03
12.5%	21.57	6.80	11.37	5.60	105.63	2.49	24.44	27.66	101.27	420.01	19.77	43.40
15.0%	25.88	10.87	13.94	6.72	126.00	2.99	29.33	33.19	124.56	504.02	23.72	52.08
17.5%	30.20	12.69	16.60	8.95	147.88	5.44	34.21	38.72	145.32	592.17	27.68	60.76
20.0%	34.51	14.50	18.98	10.23	169.00	6.22	39.10	44.25	166.08	682.71	31.63	69.44
22.5%	39.21	16.31	21.35	16.31	190.13	9.23	43.99	50.35	186.84	770.72	35.59	81.05
25.0%	43.57	21.14	23.72	18.12	217.50	11.19	49.62	59.67	212.67	866.74	44.68	90.06
27.5%	50.30	23.26	26.09	19.93	251.63	12.31	57.87	65.64	233.94	994.23	51.32	99.06
30.0%	54.87	25.37	28.46	28.78	274.51	13.43	66.71	71.60	255.20	1084.61	55.99	114.58
32.5%	59.44	31.81	30.84	36.03	299.01	14.55	72.27	77.57	276.47	1178.86	66.31	124.13
35.0%	64.02	34.25	33.21	38.80	322.01	15.67	77.83	83.54	302.46	1269.54	71.41	133.67
37.5%	68.59	36.70	35.58	50.37	345.01	16.79	83.39	89.50	340.52	1360.22	76.51	144.04
40.0%	73.16	39.15	37.95	56.29	368.01	27.86	88.95	99.45	365.92	1450.90	81.61	153.64
42.5%	77.73	41.59	40.32	60.71	397.38	29.60	94.51	105.66	395.97	1541.58	87.38	163.24
45.0%	82.31	44.04	42.70	64.28	427.51	31.34	101.41	129.78	455.72	1632.26	94.66	173.82
47.5%	86.88	46.49	50.70	67.85	451.26	33.08	107.04	136.99	481.04	1722.94	99.92	182.45
50.0%	94.90	61.62	53.37	71.42	505.01	34.82	112.68	149.17	511.42	1819.56	121.78	192.05
Obligated Level (GWh/d)	485.6	340.0	556.3	0	1407.2	350.0	420.0	699.7	950.0	1670.7	445.1	610.7

Appendix E Estimated Project Value, £m (cont)

£m

Hole House Farm		Hornsea		Partington		Avonmouth		Barton Stacey	
Obligated Level		Obligated Level		Obligated Level		Obligated Level		Obligated Level	
5.1%	0.05	6.4%	7.62	7.0%	0.69	8.37%	0.05	8.7%	6.13
10.1%	0.11	12.9%	15.56	14.0%	1.39	16.73%	0.21	17.4%	13.01
15.2%	0.32	19.3%	23.35	20.9%	2.08	25.10%	0.32	26.1%	19.67
20.2%	1.28	25.7%	31.13	27.9%	2.77	33.46%	1.49	34.8%	26.22
25.3%	6.40	32.2%	38.91	34.9%	5.33	41.83%	1.87	43.5%	34.38
30.3%	8.64	38.6%	47.65	41.9%	6.40	50.20%	2.24	52.1%	41.25
35.4%	25.37	45.0%	55.59	48.8%	12.31				
40.5%	30.70	51.5%	63.53	55.8%	18.34				
45.5%	46.53								
50.6%	68.76								
Obligated Level (GWh/d)	296.6		233.1		215.0		179.3		172.6

£m

	Burton Point	Caythorpe	Dynevor Arms	Glenmavis	Hatfield Moor	Murrow	Wytch Farm
Obligated Level							
10%	0.08	4.03	1.60	4.64	0.30	0.00	0.001
20%	0.16	8.19	3.20	9.29	0.59	0.00	0.002
30%	1.57	12.28	4.81	18.57	0.89	0.00	0.004
40%	2.09	16.37	6.41	24.77	1.19	0.00	0.005
50%	2.61	20.47	8.01	30.96	1.66	0.00	0.006
Obligated Level (GWh/d)	73.5	90.0	49.0	99.0	25.3	0.5	3.3