

30 April 2018

Indicative NTS Charges to apply from 1 October 2018

This notice is issued in line with National Grid Gas' ("National Grid") Gas Transporters Licence in respect of the NTS and our obligations contained in the Uniform Network Code (UNC). These require National Grid to provide at least 150 days' notice of changes to its gas transportation charges (the 'indicative' notice). This notice details changes that will apply from 1 October 2018. A Notice of the actual charges will be published by 1 August 2018, to provide the two months' notice required by the Licence and UNC obligations.

A copy of our document "**Indicative Gas Transmission Transportation Charges effective from 1 October 2018**" is available on the National Grid website and at this [link](#) under 'Indicative Notices'. **It should be read in conjunction with this note.**

NTS Transmission Owner (TO) Exit Capacity charges

NTS TO Exit Capacity charges¹ and Exit Capacity charges relating to the Interconnector Points (IPs) effective from 1 October 2018 have been published in **separate notices** on 30 April 2018².

This note contains a summary explanation of the changes to the Commodity charges from 1 October 2018.

Charging Base

Although the new Demand Statements (DS) have not been released, the Summer Outlook Report (SOR) has been published and used to adjust our view of gas demand in 2018/19. Using the SOR we have increased the charging base forecast by 27 TWh in the EU Exports sector (3%).

The forecast demand will be revisited before confirming final prices in October 2018 when a new set of DS data will be available (May/June 2018).

Allowed Revenues

There is no material change to the TO Maximum Allowed Revenue (MAR) from that used to set the current charges.

¹ Please note that the October 2018 charges (along with 2019/20 to 2021/22 indicative charges) were also published on 30 April 2018 for the user commitment in the 2018 Exit Capacity Application Window. Details can be found on the National Grid website at <https://www.nationalgrid.com/uk/gas/charging-and-methodologies/transmission-system-charges>

² Notice of NTS Annual Quarterly (Entry and Exit) Interconnection Point (IP) Reserve Prices can be found at <https://www.nationalgrid.com/uk/gas/charging-and-methodologies/transmission-system-charges>

On the System Operator (SO) side, there is a £7.2m reduction in the shrinkage costs principally due to lower unaccounted for gas volumes (UAG). The recent trend for UAG is for it to be very low, but this can be subject to change. We have used the levels experienced during 2017/18.

NTS Commodity charges

A summary of NTS Commodity charges can be found in the Table 1 below. Our estimated ranges around these rates are given in Table 2 below which are based on the uncertainties around the allowed revenues and forecast demands.

Table 1 NTS Commodity Charges

Commodity Charge	April 2018 (current) p/kWh	Indicative October 2018 p/kWh	Average 17/18 p/kWh	Average 18/19 p/kWh	change from current
TO Entry Commodity	0.0434	0.0427	0.0516	0.0429	-0.0007
TO Exit Commodity	0.0202	0.0203	0.0235	0.0203	0.0001
SO Commodity (Entry & Exit)	0.0101	0.0089	0.0106	0.0093	-0.0012
St. Fergus Compression	0.0117	0.0115	0.0116	0.0116	-0.0002

Table 2 Ranges

p/kWh	Lower range	Indicative rates	Upper range
TO Entry Commodity	0.0384	0.0427	0.0470
TO Exit Commodity	0.0179	0.0203	0.0229
SO Commodity (Entry & Exit)	0.0067	0.0089	0.0116
St. Fergus Compression	0.0086	0.0115	0.0144

UNC Modification 0636 'Updating the parameters used to calculate the NTS Optional Commodity charge'

There is currently in process a UNC Modification (Mod 0636) relating to updating the parameters used to calculate the NTS Optional Commodity charge (shorthaul). Four Alternate Mods have subsequently been submitted (Mods 0636 A-D). Implementation of any of the five options will affect the tariff rates or application rules and, in some cases, both as they apply to shorthaul.

The outcome of the Mod process is uncertain, but should any of the proposals be implemented we estimate that it could lead up to a 10% reduction in the total TO and SO Commodity charges from 1 October 2018 (the suggested implementation date).

This reduction in Commodity charges has been calculated based on a reduction of shorthaul volumes; these will move to the TO and SO Commodity charges, which will increase the charging base volume. An increase in the charging base will reduce the TO and SO Commodity charges. The change in the shorthaul rates, as a consequence of the mod, may increase the income collected from shorthaul sites thereby reducing the amount that will need to be collected through the SO Commodity charge. The amount will depend on the Mod selected.

Supporting Information

Guidance and detailed supporting charge setting information will be made available on the National Grid website at this [Link](#)

This includes the quarterly **charge setting report** which details:

- information about the components of the TO and SO allowed revenues;
- how they have changed since April's charges were set; and
- how this information in conjunction with the charging base is used to calculate charges.

Getting in touch

If you have any questions or feedback about this document, or NTS charges in general, please contact Karin Elmhirst (01926 655540), karin.elmhirst@nationalgrid.com or email the charging team at box.transmissioncapacityandcharging@nationalgrid.com.

Comments & Feedback

As part of our commitment to customers, National Grid welcomes comments and feedback on the information contained in this notice. In particular, to ensure that information is provided and presented in a way that is of most use to our customers, we would welcome specific feedback on:

- The level of numeric detail provided to explain charge changes;
- The quality of the explanation given to describe and explain charge changes;
- Information that is not useful and could be omitted;
- Information that is missing that could be added.

This can be sent via email to Karin.elmhirst@nationalgrid.com