

Notice of Gas Transmission Transportation Charges

Effective from 1 October 2014



Introduction

NTS Charges to Apply From 1 October 2014

This notice is issued in line with National Grid Gas' ("National Grid") Transporters Licence in respect of the NTS and our obligations contained in the Uniform Network Code, which requires National Grid to provide at least two months notice of changes to its gas transportation charges. This notice details changes that will apply from 1 October 2014 and follows the 'indicative notice' published on 1 May 2014. For the avoidance of doubt all charges **not** mentioned in this notice are unchanged from those in the 1 April 2104 Transportation Charging Statement¹, although we have included the NTS Exit Capacity charges for reference in Appendix 3 which were published on 1 May 2014 and have not changed.

This notice is split into four parts:

- **TO Charges**
 - TO Entry and Exit Commodity
 - TO Entry Capacity Reserve prices 2015/16
- **SO Charges**
 - SO Entry and Exit Commodity
 - St Fergus Compression
- **Tools and Supporting Information**
- **Appendices**

Basis of preparing the charges

National Grid sets its charges to recover the price controlled allowances set by Ofgem. The current price control RIIO-T1 applies from 1 April 2013 to 31 March 2021.

Charging Base

Updated demand forecasts were received at the end of May 2014 and charges remain based on the Gone Green scenario. Our assumptions around industrial and power generation demands continue to be based on a view that gas fired power generation remains lower in the merit order compared to coal, but overall forecast demand is lower from that used for setting April 2014 charges. This has resulted in a 10% reduction in the forecast throughput volumes for 2014/15 compared to last year's annual forecast. Combined with the actual volumes year to date, this has meant a reduction in the forecast demand for 2014/15 of 8% from that used in the April 2014 charge setting.

¹<http://www.gasgovernance.co.uk/sites/default/files/Transportation%20charging%20Statement%20april%202013.pdf>

TO Charges

For a set target revenue recovery, charges are raised when there is a lower volume charging base and hence the significant upward pressure on the NTS Commodity charges in this notice. Also, where we see less income than forecast being collected in the first 3 months of 2014/15 the revised Commodity charges are set to recover a corresponding increased amount from those calculated for the April 2014 charges.

The reasons for the revised changes to all the charges being updated are outlined in the following sections.

TO Allowed Revenues

National Grid has completed its assessment of the allowed revenue for 2013/14 and due, to an under recovery on the Entry side, there will be no TO Entry Commodity rebate with respect to 2013/14. This TO Entry under-recovery with respect to 2013/14 will feed through into 2015/16 allowed revenues.

The TO allowed revenue remains unchanged at £702m compared to the April 2014 charge setting value.

NTS TO Commodity Charges

NTS TO Entry Commodity Charge

The NTS TO Entry Commodity charge levied on Entry flows will increase to **0.0431** p/kWh (45%) from its current rate of 0.0297 p/kWh, and an average rate of 0.0382 p/kWh. This compares to the average rate of 0.0247 p/kWh in 2013/14.

The charge has increased due to;

- (a) Lower than expected volumes so far in the first half of the year. There is a reduction in the forecast TO Entry Commodity revenue collected during this period of around £7m, increasing the Commodity charge by approximately 0.0015 p/kWh.
- (b) Forecast reduced volumes for the remainder of the year will increase the rate by approximately 0.0030p/kWh.
- (c) An adjustment for the treatment of Legacy Incremental Entry Capacity income for Capacity that was triggered more than five years ago to be considered SO income rather than TO income in accordance with the revenue treatment under RIIO-T1. This involves approximately £35m being considered as SO income rather than TO income for 2014/15 and increases the TO Entry Commodity charge by approximately 0.0080 p/kWh. This change, which sees a corresponding decrease in the SO Commodity target revenue, does not impact overall revenues National Grid is allowed to collect for 2014/15, but represents a realignment of income between TO and SO to ensure consistency with the revenue treatment under RIIO-T1.

TO Charges

NTS TO Exit Commodity Charge

The TO Exit Commodity charge, which was introduced in October 2012, is a residual charge to enable National Grid to collect the correct TO Exit income from Exit shippers when NTS Exit Capacity has not been booked up to the aggregate baseline levels.

Taking into account the Exit Capacity charges and Capacity bookings for the remainder of the year, the TO Exit Commodity rate is **0.0200** p/kWh, an increase of 27% on the current rate of 0.0157 p/kWh.

The charge has increased due to:

- (a) Reduced collected income in first half of the year due to lower actual demand volumes
- (b) Lower forecast volumes for the remainder of the year
- (c) Reductions in Capacity bookings following the Exit Capacity Application Window in July leading to £10m less revenue to be collected in the 6 months from October 2014.

A summary of NTS TO Commodity charges can be found in Appendix 4.

TO Charges

NTS TO Capacity Charges

TO Entry Capacity Reserve Prices

Revised reserve prices for Capacity bids placed in the 2015 AMSEC auction for 2015/16 have been calculated using National Grid's Transportation Model², 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 NTS obligated Entry Capacity levels.

Compared to the recently published³ Monthly System Entry Capacity (MSEC) reserve prices for 2014/15, a forecast decrease in peak demand at Moffat has increased the distance required to match supply and demand in the area. Therefore the reserve prices at Moffat (and Canonbie which is located in the same area) have risen. Elsewhere on the NTS the balance between supply and demand means that the average distance has reduced slightly which has had minor effects on the 2015/16 reserve prices.

The revised reserve prices (an updated version of Table 3 from the NTS Gas Transportation Charges Statement) can be found in Appendix 2 of this notice.

NTS Exit Capacity Charges

NTS Exit Capacity charges, effective from 1 October 2014, have been published⁴ in a separate notice on 1 May 2014 but are also available for reference in Appendix 3.

² See Supporting Information section for information on how to obtain a copy of our model.

³ <http://www.gasgovernance.co.uk/sites/default/files/RMSEC%20notice%20for%20Oct%202013.pdf>

⁴ <http://www.gasgovernance.co.uk/sites/default/files/Exit%20capacity%20notice%201%20may2013.pdf>

SO Charges

SO Allowed Revenues

SO allowed revenue is forecast to decrease by £17m to £340m, compared to when charges were set for April 2014.

The overall income to be collected from the SO Commodity Charge has reduced by c. £49m compared to indicative charge setting.

NTS SO Commodity Charges

The NTS SO Commodity charge, as applied to both Entry and Exit flows, is **0.0185** p/kWh (-14%) compared to the current rate of 0.0215 p/kWh. This means that the average NTS SO Commodity rate for 2014/15 is 0.0195 p/kWh compared to an average rate for 2013/14 of 0.0205 p/kWh.

The changes to the rate are due to;

- A forecast reduction in shrinkage costs by £18m impacting on the SO Allowed Revenue. Shrinkage costs are anticipated to be lower than forecast earlier this year due to lower Unaccounted for Gas (UAG) volumes and lower than expected gas prices. This reduces the SO Commodity by approximately 0.0024 p/kWh.
- The corresponding income realignment from TO to SO as outlined in the TO Entry Commodity section above (c. -£35m) has reduced the rate by approximately 0.0040p/kWh.
- Revenue from other sources has gone down by around £5m due to a small reduction in expected revenues to be collected via St. Fergus compression and the optional Commodity (shorthaul) charges. This requires the revenue to be collected via the SO Commodity charge.
- A decrease in the charging base following revised demand forecasts and lower collected revenue in the first half of the year due to lower gas demand has partially offset the reductions due to the above factors. This increases the SO Commodity rate by approximately 0.0036 p/kWh.

Other SO Charges

The **Compression Charge** levied at the Total Oil Marine sub-terminal at St. Fergus is to decrease from its current level of 0.0174 p/kWh to **0.0169** p/kWh, a 3% reduction due to forecast reduced costs of fuel required and gas prices.

A summary of the SO charges can be found in Appendix 4.

Supporting Information

Supporting Information

Guidance and detailed supporting charge setting information will be made available on the National Grid website at <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>. This includes:

- detailed 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.

National Grid will be making the Transportation Model available to parties that have signed the licence agreement for the model. Details of how to obtain the model can also be found at the link above.

There will be an opportunity to discuss these changes at a subsequent NTS Charging Methodology Forum (NTSCMF), details of which can be found at <http://www.gasgovernance.co.uk/ntscmf/>.

Getting in touch

If you have any questions or feedback about this document, or NTS charges in general, please contact Karin Elmhirst (01926 655540) or Colin Williams (01926 655916).

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 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.

These should be sent to:

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Warwick
CV34 6DA

or email to Karin.elmhirst@nationalgrid.com

Appendices

Appendix 1

Table 1 Forecast Allowed Revenues for Financial year 2014/15

£m	April 2014	at Oct 14 Indicative	at October 14 Final	Change April to October Final
TO Maximum Allowed Revenue	702	702	702	0
SO Maximum Allowed Revenue	357	359	340	-17
Revenues to be collected from:				
NTS TO Entry Commodity	210	211	246	36
NTS TO Exit Commodity	110	108	118	8
NTS SO Commodity	304	298	249	-55

Appendices

Appendix 2 Entry Capacity Reserve Prices for Capacity for use from 1 October 2013

Updated values shown in bold.

Entry Point	MSEC Reserve Prices Pence per kWh per day		
	From 1 Oct 13 to 30 Sep 14	Y From 1 Oct 14 to 30 Sep 15	Y+1 From 1 Oct 15 to 30 Sep 16
Coastal Terminals & LNG Importation			
Bacton	0.0085	0.0091	0.0086
Barrow	0.0001	0.0001	0.0001
Easington & Rough	0.0113	0.0120	0.0120
Isle of Grain	0.0005	0.0007	0.0003
Milford Haven	0.0199	0.0208	0.0210
St Fergus	0.0403	0.0440	0.0440
Teesside	0.0090	0.0085	0.0080
Theddlethorpe & Saltfleetby	0.0112	0.0120	0.0115
Onshore Fields and Connections			
Burton Point	0.0001	0.0001	0.0001
Hatfield Moor	0.0036	0.0040	0.0039
Hole House Farm	0.0001	0.0001	0.0001
Wytch Farm	0.0001	0.0001	0.0001
Storage			
Barton Stacey	0.0001	0.0001	0.0001
Canonbie	0.0001	0.0003	0.0024
Caythorpe	0.0111	0.0130	0.0124
Cheshire	0.0001	0.0001	0.0001
Dynevor Arms	0.0086	0.0081	0.0081
Fleetwood	0.0001	0.0025	0.0020
Garton	0.0124	0.0133	0.0129
Glenmavis	0.0094	0.0127	0.0127
Hatfield Moor	0.0036	0.0040	0.0039
Hornsea	0.0116	0.0123	0.0117
Partington	0.0001	0.0001	0.0001
Constrained LNG			
Avonmouth	0.0001	0.0001	0.0001
Moffat	0.0032	0.0037	0.0057

Appendices

Appendix 3 shows NTS Exit Capacity charges effective from 1 October 2014⁵

Table 2 NTS Exit Capacity Charges

	Type of Offtake	2014/15 at Oct-14
Bacton	GDN (EA)	0.0003
Brisley	GDN (EA)	0.0034
Cambridge	GDN (EA)	0.0102
Great Wilbraham	GDN (EA)	0.0092
Matching Green	GDN (EA)	0.0137
Peterborough Eye (Tee)	GDN (EA)	0.0092
Roudham Heath	GDN (EA)	0.0052
Royston	GDN (EA)	0.0112
Whitwell	GDN (EA)	0.0133
West Winch	GDN (EA)	0.0060
Yelverton	GDN (EA)	0.0028
Alrewas (EM)	GDN (EM)	0.0185
Blaby	GDN (EM)	0.0147
Blyborough	GDN (EM)	0.0059
Caldecott	GDN (EM)	0.0121
Thornton Curtis (DN)	GDN (EM)	0.0004
Drointon	GDN (EM)	0.0197
Gosberton	GDN (EM)	0.0071
Kirkstead	GDN (EM)	0.0048
Market Harborough	GDN (EM)	0.0134
Silk Willoughby	GDN (EM)	0.0062
Sutton Bridge	GDN (EM)	0.0079
Tur Langton	GDN (EM)	0.0135
Walesby	GDN (EM)	0.0022
Asselby	GDN (NE)	0.0039
Baldersby	GDN (NE)	0.0055
Burley Bank	GDN (NE)	0.0077
Ganstead	GDN (NE)	0.0001
Pannal	GDN (NE)	0.0082

⁵ Please note that the October 2014 charges (along with 2015/16 to 2017/18 indicative charges) were also published on 1 May 2014 for the user commitment calculations in the 2014 Exit Capacity Application Window. Details can be found on the National Grid website at <http://www.nationalgrid.com/uk/Gas/Charges/NoticeofChange/> 'Notice of Final NTS Exit (Flat) Capacity Charges effective from 1 October 2014 and Indicative NTS Exit (Flat) Capacity Charges for the 2014 Annual Application Window for Enduring Annual NTS Exit (Flat) Capacity'.

Appendices

	Type of Offtake	2014/15 at Oct-14
Paull	GDN (NE)	0.0001
Pickering	GDN (NE)	0.0052
Rawcliffe	GDN (NE)	0.0041
Towton	GDN (NE)	0.0063
Bishop Auckland	GDN (NO)	0.0034
Coldstream	GDN (NO)	0.0014
Corbridge	GDN (NO)	0.0065
Cowpen Bewley	GDN (NO)	0.0013
Elton	GDN (NO)	0.0025
Guyzance	GDN (NO)	0.0038
Humbleton	GDN (NO)	0.0009
Keld	GDN (NO)	0.0138
Little Burdon	GDN (NO)	0.0030
Melkinthorpe	GDN (NO)	0.0129
Saltwick Pressure Controlled	GDN (NO)	0.0051
Saltwick Volumetric Controlled	GDN (NO)	0.0051
Thrintoft	GDN (NO)	0.0048
Towlaw	GDN (NO)	0.0055
Wetheral	GDN (NO)	0.0102
Horndon	GDN (NT)	0.0142
Luxborough Lane	GDN (NT)	0.0144
Peters Green	GDN (NT)	0.0138
Peters Green South Mimms	GDN (NT)	0.0138
Winkfield (NT)	GDN (NT)	0.0232
Audley (NW)	GDN (NW)	0.0236
Blackrod	GDN (NW)	0.0204
Ecclestone	GDN (NW)	0.0271
Holmes Chapel	GDN (NW)	0.0249
Lupton	GDN (NW)	0.0166
Malpas	GDN (NW)	0.0257
Mickle Trafford	GDN (NW)	0.0270
Partington	GDN (NW)	0.0260
Samplesbury	GDN (NW)	0.0189
Warburton	GDN (NW)	0.0257
Weston Point	GDN (NW)	0.0280
Aberdeen	GDN (SC)	0.0001
Armadale	GDN (SC)	0.0001
Balgray	GDN (SC)	0.0001
Bathgate	GDN (SC)	0.0001
Burnervie	GDN (SC)	0.0001
Broxburn	GDN (SC)	0.0005
Careston	GDN (SC)	0.0001

Appendices

	Type of Offtake	2014/15 at Oct-14
Drum	GDN (SC)	0.0001
St Fergus	GDN (SC)	0.0001
Glenmavis	GDN (SC)	0.0002
Hume	GDN (SC)	0.0025
Kinknockie	GDN (SC)	0.0001
Langholm	GDN (SC)	0.0076
Lauderhill	GDN (SC)	0.0037
Lockerbie	GDN (SC)	0.0066
Netherhowcleugh	GDN (SC)	0.0046
Pitcairngreen	GDN (SC)	0.0001
Soutra	GDN (SC)	0.0043
Stranraer	GDN (SC)	0.0054
Farningham	GDN (SE)	0.0143
Farningham B	GDN (SE)	0.0143
Shorne	GDN (SE)	0.0132
Tatsfield	GDN (SE)	0.0162
Winkfield (SE)	GDN (SE)	0.0232
Braishfield A	GDN (SO)	0.0271
Braishfield B	GDN (SO)	0.0271
Crawley Down	GDN (SO)	0.0257
Hardwick	GDN (SO)	0.0175
Ipsden	GDN (SO)	0.0210
Ipsden 2	GDN (SO)	0.0210
Mappowder	GDN (SO)	0.0242
Winkfield (SO)	GDN (SO)	0.0232
Aylesbeare	GDN (SW)	0.0265
Cirencester	GDN (SW)	0.0150
Coffinswell	GDN (SW)	0.0294
Easton Grey	GDN (SW)	0.0155
Evesham	GDN (SW)	0.0117
Fiddington	GDN (SW)	0.0104
Ilchester	GDN (SW)	0.0219
Kenn	GDN (SW)	0.0277
Littleton Drew	GDN (SW)	0.0164
Lyneham (Choakford)	GDN (SW)	0.0324
Pucklechurch	GDN (SW)	0.0173
Ross (SW)	GDN (SW)	0.0073
Seabank (DN)	GDN (SW)	0.0194
Alrewas (WM)	GDN (WM)	0.0185
Aspley	GDN (WM)	0.0218
Audley (WM)	GDN (WM)	0.0236
Austrey	GDN (WM)	0.0178

Appendices

	Type of Offtake	2014/15 at Oct-14
Leamington	GDN (WM)	0.0146
Lower Quinton	GDN (WM)	0.0129
Milwich	GDN (WM)	0.0204
Ross (WM)	GDN (WM)	0.0073
Rugby	GDN (WM)	0.0157
Shustoke	GDN (WM)	0.0191
Stratford-upon-Avon	GDN (WM)	0.0131
Maelor	GDN (WN)	0.0265
Dowlais	GDN (WS)	0.0028
Dyffryn Clydach	GDN (WS)	0.0002
Gilwern	GDN (WS)	0.0040
Ferny Knoll (AM Paper)	DC	0.0230
Tonna (Baglan Bay)	DC	0.0002
Barking (Horndon)	DC	0.0142
Barrow (Black Start)	DC	0.0127
Billingham ICI (Terra Billingham)	DC	0.0015
Bishop Auckland (test facility)	DC	0.0034
Blackness (BP Grangemouth)	DC	0.0001
Saltend BPHP (BP Saltend HP)	DC	0.0001
Shotwick (Bridgewater Paper)	DC	0.0279
Blyborough (Brigg)	DC	0.0069
Epping Green (Enfield Energy, aka Brimsdown)	DC	0.0147
Brine Field (Teesside) Power Station	DC	0.0008
Pickmere (Winnington Power, aka Brunner Mond)	DC	0.0260
Carrington (Partington) Power Station	DC	0.0260
Centrax Industrial	DC	0.0292
Cockenzie Power Station	DC	0.0001
Burton Point (Connahs Quay)	DC	0.0283
Caldecott (Corby Power Station)	DC	0.0125
Stanford Le Hope (Coryton)	DC	0.0139
Coryton 2 (Thames Haven) Power Station	DC	0.0139
Blyborough (Cottam)	DC	0.0059
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC	0.0117
Deeside	DC	0.0283
Didcot PS	DC	0.0213
Drakelow Power Station	DC	0.0180
Enron Billingham	DC	0.0015
Goole (Guardian Glass)	DC	0.0045
Grain Power Station	DC	0.0117
Bacton (Great Yarmouth)	DC	0.0003
Hatfield Power Station	DC	0.0042

Appendices

	Type of Offtake	2014/15 at Oct-14
Hollingsgreen (Hays Chemicals)	DC	0.0248
Weston Point (Castner Kelner, aka ICI Runcorn)	DC	0.0280
Thornton Curtis (Humber Refinery, aka Immingham)	DC	0.0004
Eastoft (Keadby Blackstart)	DC	0.0058
Eastoft (Keadby)	DC	0.0058
Shellstar (aka Kemira, not Kemira CHP)	DC	0.0276
Saddle Bow (Kings Lynn)	DC	0.0059
Langage Power Station	DC	0.0324
St. Neots (Little Barford)	DC	0.0134
Gowkhall (Longannet)	DC	0.0001
Marchwood Power Station	DC	0.0274
Medway (aka Isle of Grain Power Station, NOT Grain Refinery)	DC	0.0118
Upper Neeston (Milford Haven Refinery)	DC	0.0001
Blackbridge (Pembroke PS)	DC	0.0001
Peterborough (Peterborough Power Station)	DC	0.0096
St. Fergus (Peterhead)	DC	0.0001
Phillips Petroleum, Teesside	DC	0.0008
Weston Point (Rocksavage)	DC	0.0280
Rollswood (Kintore)	DC	0.0001
Roosecote (Roosecote Power Station)	DC	0.0127
Ryehouse	DC	0.0152
Rosehill (Saltend Power Station)	DC	0.0001
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC	0.0193
Seabank (Seabank Power Station phase II)	DC	0.0193
Abson (Seabank Power Station phase I)	DC	0.0173
Sellafield Power Station	DC	0.0171
Terra Nitrogen (aka ICI, Terra Severnside)	DC	0.0192
Harwarden (Shotton, aka Shotton Paper)	DC	0.0282
Wragg Marsh (Spalding)	DC	0.0074
Spalding 2 (South Holland) Power Station	DC	0.0074
St. Fergus (Shell Blackstart)	DC	0.0001
Stallingborough (phase 1 and 2)	DC	0.0013
Staythorpe PH1 and PH2	DC	0.0091
Sutton Bridge Power Station	DC	0.0078
Teesside (BASF, aka BASF Teesside)	DC	0.0008
Teesside Hydrogen	DC	0.0008
Thornton Curtis (Killingholme)	DC	0.0004
Tilbury Power Station	DC	0.0135
West Burton PS	DC	0.0060

Appendices

	Type of Offtake	2014/15 at Oct-14
Willington Power Station	DC	0.0196
Wyre Power Station	DC	0.0206
Zeneca (ICI Avecia, aka 'Zenica')	DC	0.0015
Bacton IUK	INTERCONNECTOR	0.0003
Bacton BBL	INTERCONNECTOR	0.0003
Moffat (Irish Interconnector)	INTERCONNECTOR - FIRM, EXIT ONLY	0.0054
Avonmouth Max Refill	STORAGE SITE	0.0192
Bacton (Baird)	STORAGE SITE	0.0003
Deborah Storage (Bacton)	STORAGE SITE	0.0003
Barrow (Bains)	STORAGE SITE	0.0127
Barrow (Gateway)	STORAGE SITE	0.0127
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	0.0254
Caythorpe	STORAGE SITE	0.0022
Cheshire (Holford)	STORAGE SITE	0.0253
Dynevor Max Refill	STORAGE SITE	0.0022
Rough Max Refill	STORAGE SITE	0.0001
Garton Max Refill (Aldbrough)	STORAGE SITE	0.0001
Glenmavis Max Refill	STORAGE SITE	0.0002
Hatfield Moor Max Refill	STORAGE SITE	0.0050
Hole House Max Refill	STORAGE SITE	0.0247
Hornsea Max Refill	STORAGE SITE	0.0009
Partington Max Refill	STORAGE SITE	0.0260
Stublach (Cheshire)	STORAGE SITE	0.0253
Saltfleetby Storage (Theddlethorpe)	STORAGE SITE	0.0009
Hill Top Farm (Hole House Farm)	STORAGE SITE	0.0247

Appendices

Appendix 4 summarises the changes to the Commodity charges being made in October 2014

Table 3 Summary of Commodity Charges

NTS Charge	April Final	2013/14 Average	Oct Indicative	Oct Final	2014/15 Average
TO Entry Commodity	0.0297	0.0247	0.0311	0.0431	0.0382
TO Exit Commodity	0.0157	0.0114	0.0160	0.0200	0.0188
SO Commodity (Entry & Exit)	0.0215	0.0205	0.0220	0.0185	0.0195
St. Fergus Compression	0.0174	0.0173	0.0163	0.0169	0.0171