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Dear Martin,

Notice of MSEC and DSEC Reserve Prices for Capacity used from 1 October 2014

National Grid is publishing this notice of revised system entry capacity reserve prices two months in advance of the Rolling Monthly Trade & Transfer System Entry Capacity (RMTNTSEC) auction of system entry capacity, consistent with our Licence and Uniform Network Code obligations.

The changes to Monthly System Entry Capacity (MSEC) and Daily System Entry Capacity (DSEC) prices are shown in the attachment to this notice, with the new prices shown in bold. We have also updated Table 3 of the NTS Gas Transportation Charges Statement dated 1 April 2014. The full updated Statement can be found on our website at: <http://www.nationalgrid.com/uk/Gas/Charges/statements/>

It should be noted that the system entry capacity (RMTNTSEC and DSEC) purchased during September 2014 for use from 1 October 2014 will be subject to the revised reserve prices given in this notice. The revised prices have been calculated using the Transportation model 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 reserve prices have been calculated using the obligated NTS entry capacity levels.

Those entry points furthest from demand see a small increase in their reserve price due to the updated expansion constant. A forecast decrease in peak demand in Scotland, the North West and the Midlands has increased the average distance travelled between the northern entry supply points and centres of demand, hence the reserve prices have increased at these entry points. Entry reserve prices at Caythorpe, Milford Haven and Teesside have changed primarily due to changes in flows elsewhere on the system which affects the average entry costs. This in turn affects the adjustment factor that is used to achieve a 50:50 split of charges between entry and exit, at these entry points.

A more detailed description of the changes will be available on our website¹ and will be discussed at a future NTS Charging Methodology Forum (NTSCMF). A copy of National Grid's Transportation model will be sent out to parties that have signed the

¹ <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>

licence agreement. Details of how to obtain the model and other supporting charge setting information can also be found on our website in the same area.

Further updates to capacity and commodity prices

National Grid is also preparing to publish updates to commodity charges for 2014/15 and capacity prices for future auctions. The notice of actual commodity charges that shall apply from 1 October 2014 will be published by 1 August 2014, in line with the two months notice required by our licence and Network Code obligations. Entry reserve prices for future gas years used in the Annual Monthly System Entry Capacity (AMSEC) and Quarterly System Entry Capacity (QSEC) auctions will be published by 1 August 2014 and in January 2015, respectively.

If you have any questions relating to this notice, or NTS charges in general, please contact myself or Karin Elmhirst on 01962 655540.

Yours sincerely,

Steve Fisher

Gas Capacity & Charging Development Manager

Entry Capacity Reserve Prices for Capacity for use from 1 October 2014

MSEC Reserve Prices, Pence per kWh per day

Entry Point	from 1 Oct 13 to 30 Sep 14	from 1 Oct 14 to 30 Sep 15	Change
Coastal Terminals & LNG Importation			
Bacton	0.0085	0.0091	0.0006
Barrow	0.0001	0.0001	0.0000
Easington&Rough	0.0113	0.0120	0.0007
Isle of Grain	0.0005	0.0007	0.0002
Milford Haven	0.0199	0.0208	0.0009
St Fergus	0.0403	0.0440	0.0037
Teesside	0.0090	0.0085	-0.0005
Theddlethorpe	0.0112	0.0120	0.0008
Onshore Fields and Connections			
Burton Point	0.0001	0.0001	0.0000
Hatfield Moor	0.0036	0.0040	0.0004
Hole House Farm	0.0001	0.0001	0.0000
Wytch Farm	0.0001	0.0001	0.0000
Storage			
Barton Stacey	0.0001	0.0001	0.0000
Canonbie	0.0001	0.0003	0.0002
Caythorpe	0.0111	0.0130	0.0019
Cheshire	0.0001	0.0001	0.0000
Dynevor Arms	0.0086	0.0081	-0.0005
Fleetwood	0.0001	0.0025	0.0024
Garton	0.0124	0.0133	0.0009
Glenmavis	0.0094	0.0127	0.0033
Hatfield Moor	0.0036	0.0040	0.0004
Hornsea	0.0116	0.0123	0.0007
Partington	0.0001	0.0001	0.0000
Constrained LNG			
Avonmouth	0.0001	0.0001	0.0000
Moffat ²	0.0032	0.0037	0.0005

² The Moffat reserve price is for use in overrun calculations only, no firm entry capacity will be released.

DSEC Reserve Prices, Pence per kWh per day

Entry Point	DSEC		
	from 1 Oct 13 to 30 Sep 14	from 1 Oct 14 to 30 Sep 15	Change
Coastal Terminals & LNG Importation			
Bacton	0.0057	0.0061	0.0004
Barrow	0.0001	0.0001	0.0000
Easington&Rough	0.0075	0.0080	0.0005
Isle of Grain	0.0003	0.0005	0.0002
Milford Haven	0.0133	0.0139	0.0006
St Fergus	0.0269	0.0293	0.0024
Teesside	0.0060	0.0057	-0.0003
Theddlethorpe	0.0075	0.0080	0.0005
Onshore Fields and Connections			
Burton Point	0.0001	0.0001	0.0000
Hatfield Moor	0.0024	0.0027	0.0003
Hole House Farm	0.0001	0.0001	0.0000
Wytch Farm	0.0001	0.0001	0.0000
Storage			
Barton Stacey	0.0001	0.0001	0.0000
Canonbie	0.0001	0.0002	0.0001
Caythorpe	0.0074	0.0087	0.0013
Cheshire	0.0001	0.0001	0.0000
Dynevor Arms	0.0057	0.0054	-0.0003
Fleetwood	0.0001	0.0017	0.0016
Garton	0.0083	0.0089	0.0006
Glenmavis	0.0063	0.0085	0.0022
Hatfield Moor	0.0024	0.0027	0.0003
Hornsea	0.0077	0.0082	0.0005
Partington	0.0001	0.0001	0.0000
Constrained LNG			
Avonmouth	0.0001	0.0001	0.0000
Moffat ³	0.0021	0.0025	0.0004

³ The Moffat reserve price is for use in overrun calculations only, no firm entry capacity will be released.