

29th July 2022

## Revised NTS Charges to apply from 1 October 2022

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 The General Non-Transmission Services charges that will apply from 1 October 2022.

A copy of our document "**Notice of Gas Transmission Transportation Charges effective from 1 October 2022**", which contains all charges that will apply from 1 October 2022 is available on the National Grid website <https://www.nationalgridgas.com/charging/transmission-system-charges> and should be read in conjunction with this note.

The charges included in this notice are calculated in accordance with Section Y of the Uniform Network Code.

### General Non-Transmission Services Charges

The final **General Non-Transmission Services Charge** for October 2022 is set at **0.0343** p/kWh. The indicative values for Gas Years 23-24 to 25-26 are contained in the table below.

	<i>Final</i>	<i>Future Year Indicatives</i>		
	<b>Oct 22 – Sep 23</b>	Oct 23 – Sep 24	Oct 24 – Sep 25	Oct 25 – Sep 26
<i>General Non-Transmission Services Charges (p/kWh)</i>	<b>0.0343</b>	0.0638	-0.0123	0.0368

The changes, and oscillation year to year are driven predominantly by significant increasing Shrinkage Costs and the impacts of timing of when revenues can be updated. Rates are set to recover revenues within a Regulatory Year (April to March) with charges applying for a Gas Year (October to September) which also contributes to the changes year to year.

We believe the volatility and changes in prices from October 23 should not be allowed to materialise due to impacts on Customer charges. As mentioned in our Webinar on 29th July (see Supporting Information), National Grid will engage further on how to address that volatility, which we believe will likely require Licence changes and a review of UNC provisions.

Please note: the charges for Gas Year 2022-23 are based upon the System Operator (SO) allowed revenues determined through the Price Control Financial Model (PCFM) as at February 2022. Future year indicative prices use the same base PCFM including a more up to date view of Shrinkage costs. Further details on revenues can be found in the Supporting Information part of this notice.

## St Fergus Compression Charge

The **Compression Charge** levied at the North Sea Midstream Partners (NSMP) sub-terminal at St. Fergus is to increase to **0.0514** p/kWh. Forecast costs for this compression have increased due to increases in gas prices.

## Supporting Information

The revenue values used in the production of the prices in this notice are shown below. The values use the PCFM (Price Control Financial Model) extract (<https://www.nationalgrid.com/gas-transmission/document/140336/download>) that are based on the PCFM published by Ofgem in February 2022 (<https://www.ofgem.gov.uk/publications/gt2-price-control-financial-model>) updated for Regulatory Year April 22 – March 23 to account for the recovered revenue position for the Regulatory Year ending March 2022.

For years beyond April 2022 – March 2023, an updated forecast of Shrinkage Costs has been used from July, that shows an updated view as to how these impact revenues over time, adjusting in line with the Licence restrictions current timing of revenue updates. In addition to the SO revenues in the linked PCFM extract, the table below shows the values for Non-Transmission Services which considers a forecast of Non-Obligated Exit Capacity that is recovered as a Transmission Service charge.

Allowed Revenues used for calculation of prices:

	<b>Apr 22 – Mar 23</b>	Apr 23 – Mar 24	Apr 24 – Mar 25	Apr 25 – Mar 26
<b>SO Revenue Impact (£m)</b>	<b>514</b>	1058	482	360
<b>Non-Transmission Revenues (£m)</b>	<b>499</b>	1043	467	345

National Grid hosted a webinar on 28<sup>th</sup> July to highlight some of the key inputs and drivers behind changes, notably to the General Non-Transmission Charges. The presentation material is available here: <https://www.nationalgrid.com/gas-transmission/document/140341/download>. The material illustrates how adjustments to revenues are accommodated over time and the latest view on Shrinkage costs, the dominant driver of the changes to the revenues and charges over time that result. The webinar raises the challenges for the charging arrangements without changes to the Licence and review of UNC provisions, which we will be engaging on further with Customers and Stakeholders.

National Grid will be hosting a further webinar on the Transportation charges in September 2022 to cover the prices published, drivers and details behind them. This will be notified shortly.

National Grid will be publishing the Transportation Models used to calculate the Transmission Services and General Non-Transmission Services prices for October 2022 on the National Grid website at <https://www.nationalgridgas.com/charging/transmission-system-charges> by the end of August 2022.

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/>.

If you have any questions, please contact our Charging Team at [box.NTSGasCharges@nationalgrid.com](mailto:box.NTSGasCharges@nationalgrid.com).