

30 July 2019

Revised NTS Charges to apply from 1 October 2019

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 2019 and follows the 'indicative notice' published on 1 May 2019.

A copy of our document "**Notice of Gas Transmission Transportation Charges effective from 1 October 2019**", which contains all charges that will apply from 1 October 2019 is available on the National Grid website <https://www.nationalgridgas.com/charging/transmission-system-charges> and should be read in conjunction with this note.

This note contains a summary explanation of the changes to the charges from 1 October 2019.

UNC Modifications 0678 and 0686

There are currently several UNC charging modifications running which may affect the Transportation charging methodology. Modification 0678 'Amendments to Gas Transmission Charging Regime' (including ten alternates) and Modification 0686 - 'Removal of the NTS Optional Commodity Rate with adequate notice'. There is the potential for the payable prices associated with capacity allocated and commodity charges to be impacted by such modifications. Please note that Ofgem has decided to carry out impact assessments to explore the impact of both of these modifications.

Market participants should keep up to date and engage with how the Tariff Network Code will be reflected in the UNC via the Joint Office (<http://www.gasgovernance.co.uk/livemods>).

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.

Charging Base

Updated demand forecasts were received at the end of May 2019 and a central forecast continues to be used. The new forecasts have reduced the demand from the power generation sector by 60TWh. However, the demand so far this year has not reduced and therefore we have made some adjustments to the demand forecast for this sector. Taking into account the actual demand for April to June, the forecast demand level used to set the October 2019 charges is 8% higher than that used when setting April 2019 charges and 3% higher than used for the indicative October 2019 charges.

This explanation of the changes to the charges is split into four parts:

- **TO Charges**
 - TO Entry and Exit Commodity
 - TO Entry Capacity Reserve prices 2020/21

- **SO Charges**
 - SO Entry and Exit Commodity
 - St Fergus Compression
- **Supporting Information**
- **Appendix**

TO Allowed Revenues

The TO allowed revenue (which is shared 50:50 between Entry and Exit activities) is £1.2m more than the level used to set the TO charges for April 2019 (£706m).

NTS TO Commodity Charges

NTS TO Entry Commodity Charge

The NTS TO Entry Commodity charge levied on Entry flows will decrease to **0.0447** p/kWh from its current rate of 0.0458 p/kWh, and an average rate of 0.0451 p/kWh. This compares to the average rate of 0.0435 p/kWh in 2018/19.

NTS TO Exit Commodity Charge

Taking into account the Exit Capacity charges and Capacity bookings for the remainder of the year including those from the July 2019 Application Window, the TO Exit Commodity rate is **0.0226** p/kWh. This is a decrease on the current rate of 0.0236 p/kWh. The TO Exit Commodity rate has reduced due to a combination of the increase in demand and an increase in the expected revenue from booked capacity following an update to the Exit Capacity charges from 1 October 2019.

A summary of NTS TO Commodity charges can be found in **Table 2** of the Appendix.

NTS TO Capacity Charges

TO Entry Capacity Reserve Prices

Revised reserve prices for Capacity bids placed in the next AMSEC auction for gas year 2020/21 have been calculated using National Grid's Transportation Model¹, 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.

The revised Entry Capacity reserve prices can be found in **Table 3** MSEC Reserve Prices of the appendix in this Notice and in Table 4 in the **Notice of Gas Transmission Transportation Charges effective from 1 October 2019**.

¹ See Supporting Information section for information on how to obtain a copy of our model.

Entry Rolling Monthly Auction prices for Interconnection Points have recently been published² and can be seen **Table 10** of the **Notice of Gas Transmission Transportation Charges effective from 1 October 2019**.

NTS Exit Capacity Charges

NTS Exit Capacity charges including for the Interconnector Points, effective from 1 October 2019, have been published³ ⁴ in a separate notice on 1 May 2019 and can be found in **Tables 8, 13** and **14**, in the **Notice of Gas Transmission Transportation Charges effective from 1 October 2019**.

SO Allowed Revenues

SO allowed revenue for 2019/20 is forecast to decrease by £3m to £241m, compared to when charges were set for April 2019. This decrease reflects a fall in our forecast of external costs relating to shrinkage and offset partly by increased residual balancing costs.

Other SO income has increased by £19m (increase in residual balancing and shorthaul income) and so the overall income to be collected from the SO Commodity Charge has reduced by £22m compared to the April 2019 charge setting.

NTS SO Commodity Charges

The NTS SO Commodity charge, as applied to both Entry and Exit flows, is **0.0122** p/kWh (-18%) compared to the current rate of 0.0149 p/kWh. This means that the average NTS SO Commodity rate for 2019/20 is 0.0131 p/kWh compared to an average rate for 2018/19 of 0.0095 p/kWh.

St Fergus Compression Charge

The **Compression Charge** levied at the North Sea Midstream Partners (NSMP) sub-terminal at St. Fergus is to decrease from its current level of 0.0170 p/kWh to **0.0127** p/kWh, a 25% decrease. Forecast costs for this compression have been decreased by £3.5m due to lower gas prices.

A summary of the SO charges can be found in **Table 2** of the Appendix.

Supporting Information

Guidance and detailed supporting charge setting information will be made available on the National Grid website at <https://www.nationalgridgas.com/charging/transmission-system-charges>

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

² https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-06/Final%20Notice%20of%20Rolling%20Monthly%20and%20Rolling%20Day%20Ahead%202019_0.pdf

³ <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-05/Exit%20Capacity%20Notice%201%20May%202019.pdf>

⁴ <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/book/2019-05/Final%20Notice%20of%20Annual%20Quarterly%202019.pdf>

- 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 relating to this notice, or NTS charges in general, please contact Karin Elmhirst on 01926 655540 karin.elmhirst@nationalgrid.com or Dave Bayliss on 01926 656853 dave.bayliss@nationalgrid.com or email our charging team at box.transmissioncapacityandcharging@nationalgrid.com.

Appendix

Table 1 Forecast Allowed Revenues for Financial year 2019/20

	2019/20 at April 2019	2019/20 at October 2019	Change
TO Maximum Allowed Revenue	£705m	£706m	£1m
SO Maximum Allowed Revenue	£244m	£241m	-£3m
Revenues to be collected from:			
NTS TO Entry Commodity	£288m	£289m	£1m
NTS TO Exit Commodity	£148m	£144m	-£4m
NTS SO Commodity	£186m	£165m	-£22m

Table 2 Summary of Commodity Charges

NTS Charge	At 1 April 2019	At 1 Oct 2019	Change
TO Entry Commodity	0.0458	0.0447	-0.0011
TO Exit Commodity	0.0236	0.0226	-0.0010
SO Commodity (Entry & Exit)	0.0149	0.0122	-0.0027
St. Fergus Compression	0.0170	0.0127	-0.0043

Table 3 MSEC Reserve Prices

Coastal Terminals & LNG Importation	From 1 Oct 19 to 30 Sep 20	From 1 Oct 20 to 30 Sep 21
Bacton	0.0095	0.0095
Barrow	0.0032	0.0015
Easington&Rough	0.0147	0.0149
Isle of Grain	0.0001	0.0001
Milford Haven	0.0235	0.0235
St Fergus	0.0530	0.0532
Teesside	0.0087	0.0087
Theddlethorpe	0.0133	0.0134
Onshore Fields and Connections		
Burton Point	0.0001	0.0001
Canonbie	0.0022	0.0022
Hatfield Moor	0.0035	0.0035
Wytch Farm	0.0001	0.0001
Storage		
Barton Stacey	0.0001	0.0001
Caythorpe	0.0127	0.0126
Cheshire	0.0001	0.0001
Dynevor Arms	0.0091	0.0091
Fleetwood	0.0001	0.0001
Garton	0.0130	0.0130
Glenmavis	0.0138	0.0128
Hatfield Moor	0.0035	0.0035
Hole House Farm	0.0001	0.0001
Hornsea	0.0143	0.0140
Partington	0.0001	0.0001
Avonmouth	0.0001	0.0001
Biomethane Plant		
Murrow	0.0001	0.0001