

All Shippers & Interested Parties

30th November 2020

Dear Industry Participant

Notification of Entry and Exit Revenue Recovery Capacity Charges from 1 February 2021.

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.

We are publishing this notice of the Transmission Services Entry and Exit Revenue Recovery Charges (TSRRCs) applicable at Entry Points and Exit Points respectively that will be effective from 1st February 2021.

These capacity charges will be applied to the Fully Adjusted Capacity at all points, apart from that entry capacity classified as 'Existing Contracts' which is treated, for the purposes of applying the TSRRC for Entry, as the Existing Available Holding as per UNC TPD Section Y2.2.2(f). The Fully Adjusted capacity will therefore be net of such items as trades and buy backs.

We have sought to notify and publish these charging changes at the earliest opportunity to minimise uncertainty for the industry. In doing so, we have taken an informed view based on the data available to us and will continue to monitor the situation closely over the coming months.

These charges have been calculated in accordance with the arrangements as set out in UNC Modification 0678A, and can continue to be revised within the Gas Year.

Revenue Recovery Charge	Effective From ¹	Revenue Recovery Charge (p/kWh/day)
Entry RRC	1 February 2021	0.0717
Exit RRC	1 February 2021	0.0124

Drivers for the changes and UNC Proposals

These changes are being made as a result of a larger than anticipated under recovery evident from capacity revenues across October 2020 and November 2020. These changes do not impact or change National Grid's overall Allowed Revenue but without such changes this pattern is anticipated to continue through the remainder of the formula year. To highlight the significance and the reason for

¹ The Revenue Recovery Charges at Entry and Exit can be updated more than once in any given Gas Year.

bringing this to the industry’s attention at the earliest opportunity is that for October 2020 alone, across the combined Transmission Owner and System Operator Revenue, the under recovery was c.£37m. The reasons for this under recovery are twofold:

1. Capacity revenues from actual bookings across the range of Entry and Exit Capacity products varying from forecast (from the time charges were set) resulting in lower than anticipated revenues (Entry and Exit);
2. Entry Capacity Neutrality revenues where revenues from specific Entry Capacity products are effectively returned to Shippers do not form part of collected revenues.

National Grid is making changes to the revenue recovery charges for Entry and Exit for Transmission Services in order to reduce the size of any likely under recovery and to mitigate the impacts on Charges in subsequent years. Without this, charging volatility would continue / likely increase over future years reducing charging certainty for the industry as a whole. This approach aims to minimise such effects.

In addition to the revised charges, National Grid will also bring forward UNC Proposals to make changes to the Entry Capacity Neutrality process. This is proposed to be managed through two proposals:

1. A forward looking proposal that would remove specific revenues associated to Within Day and Daily Interruptible Capacity from the Entry Capacity Neutrality process;
2. A retrospective proposal that would apply the method outlined in (1) from 1 October to a specific date. This would result in a charge to parties that received Entry Capacity Neutrality payments in this period for the proportion of the entry capacity neutrality ‘pot’ that is associated to Within Day and Daily Interruptible Capacity revenues.

These two modifications will be raised shortly, requesting urgency, and National Grid will provide opportunities to discuss these prior to raising them formally. We have detailed the industry sessions where there will be opportunities to engage with National Grid below:

Event	Date
NTSCMF*	01 December 2020
National Grid led Webinar	08 December 2020
National Grid led Webinar	16 December 2020

*Additional NTSCMF meetings may also be used to facilitate discussions with industry.

These modifications, should they be implemented, would have a direct impact on the applicable TSRRCs. As such National Grid will aim to make updates to such TSRRCs, taking into account any other changes as needed, within a short period (less than two months). It is expected that these changes would reduce TSRRCs, if implementation is within a certain timeframe.

Examples and illustrations of such impacted charges will be communicated in National Grid led Webinars and associated publications to provide the information to Shippers.

The TSSRC’s detailed above do not take account of the outcome of any such modification proposals.

Application and duration of the charges

National Grid is publishing this notice of the Transmission Services Entry and Exit Revenue Recovery Charges (TSRRCs) applicable at Entry Points and Exit Points respectively that will be effective from 1st February 2021.

The TSRRC for Entry will be applied from 01 February 2021 for a duration of five (5) months. Any charges from April 2021 will be in addition to this.

The TSRRC for Exit will be applied from 01 February 2021 for a duration of two (2) months. Any charges from April 2021 will therefore not include this.

The update to the General Non-Transmission Services charges, covered in a separate notice, will be applied for a duration of two (2) months (February 2021 and March 2021).

If you have any questions about this notice, or require any further explanation, please email our charging team at box.NTSGasCharges@nationalgrid.com.

Yours sincerely

Steve Fisher
Commercial Operations Manager