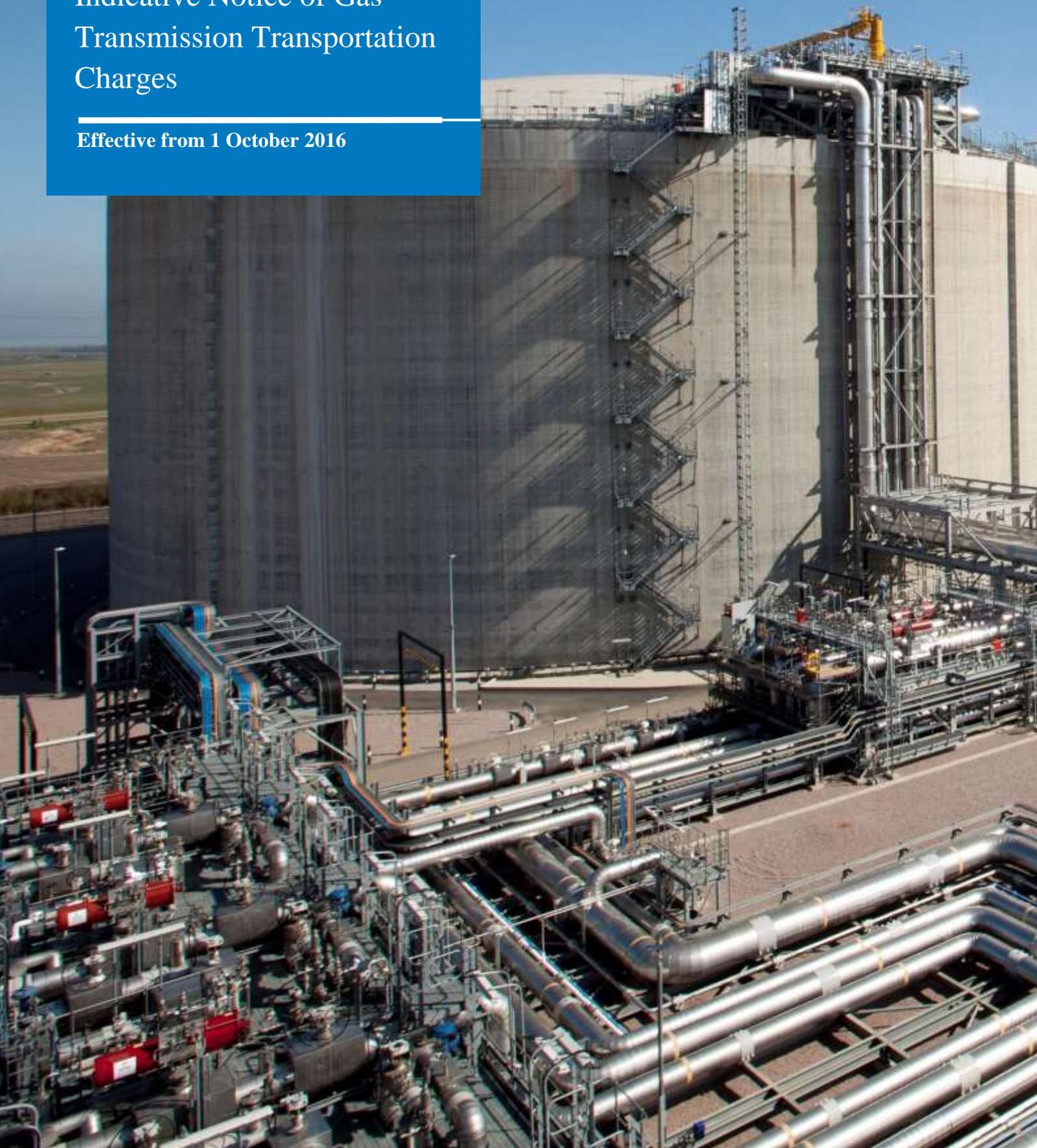


Indicative Notice of Gas Transmission Transportation Charges

Effective from 1 October 2016



Introduction

This notice is issued in line with National Grid's Gas Transporters Licence in respect of the NTS ("the Licence"). The Licence requires National Grid to provide at least 150 days' notice of changes to its gas transportation charges (the 'indicative' notice). This notice is issued with respect to changes that will apply from 1 October 2016. Notice of the actual charges will be published by 1 August 2016, to provide the two months' notice required by the Licence and Network Code.

This notice is split into four parts:

- **TO Charges**
 - TO Entry and Exit Commodity
- **SO Charges**
 - SO Entry and Exit Commodity
 - St Fergus Compression
- **Tools and Supporting Information**
- **Appendices**

Basis of preparing indicative charges

National Grid sets its charges to recover the allowed revenues in accordance with the price control allowances set by Ofgem. The current price control RIIO-T1 applies from 1 April 2013.

Since setting the charges in April 2016, there has been a small change in our forecasts of the SO allowed revenue. A summary of the allowed revenues is given in Appendix I.

National Grid expects to complete its assessment of the allowed revenue for 2015/16 as part of the annual regulatory reporting process that normally completes in July 2016. At this point the TO and SO revenue corrections for 2015/16 will be known and whether or not an under or over-recovery has occurred. Under the RIIO-T1 Price Control the corrections will be carried forward into charges to be calculated for 2017/18.

Charging Base

Although the new Demand Statements for May 16 have not been released, much of the provisional information relating to these has been taken into account in this charge setting process. The Gone Green scenario continues to be used. Volumes are forecast to increase by around 69 TWh (9%) compared to the April 2016 charge setting. The biggest change by far is in the power generation sector and is driven by fuel price assumptions. The prices of coal and gas affect the choice of fuel for electricity generation and forward prices indicate gas as the lower-cost fuel for generation. We are therefore forecasting a 62 TWh increase in demand in this sector compared to last years' demand forecast.

Adjustments have been made to take into account an increase in Entry and Exit flows that attract the Optional Commodity (shorthaul) charges, which decreases the volumes that attract the NTS TO and SO commodity rates.

For a set target revenue recovery charges are lowered with a higher charging base. The assumptions around volumes will be revisited before confirming final charges at the end of July 2016.

TO Charges

TO Allowed Revenues

The TO allowed revenue (which is shared 50:50 between Entry and Exit activities) remains at the same level used to calculate TO charges for the April 2016 charge setting (£800m).

NTS TO Entry Commodity Charge

The NTS TO Entry Commodity charge levied on Entry flows is estimated to decrease to **0.0445** p/kWh from its current rate of 0.0499 p/kWh and the average rate of 0.0470 p/kWh for 2015/16, representing a decrease of 11% and 5% respectively. We are seeking to recover around £311m from the TO Entry Commodity charge which is an increase of £1.5m from our view at the April 2016 charge setting this is due to less auction income than was previously forecast. However, the forecast rise in Entry flows has caused this charge to decrease overall.

There are a number of uncertainties that are inherent within the calculation of this charge: the income from NTS Entry Capacity auctions held during the year and Entry volumes. Taking these factors into account, we estimate the range on the indicative charges is +/- 10%.

NTS TO Exit Capacity Charges

NTS TO Exit Capacity charges, effective from 1 October 2016, have been published in a **separate notice** on 29 April 2016¹ and are also available in Appendix II.

A summary of the Exit Capacity charges relating to the Interconnector Points is available in Appendix IV. For further details on these charges please see our Notice of NTS Annual Quarterly (Entry and Exit) Interconnection Point (IP) Reserve Prices which has also been published on 29 April 2016².

NTS TO Exit Commodity Charge

The TO Exit Commodity charge is a residual charge to enable National Grid to collect the correct TO Exit income from Exit shippers when Exit Capacity has not been booked up to the Baseline.

Taking into account the updated Exit Capacity charges and expected Exit Capacity bookings, the indicative TO Exit Commodity rate is **0.0194** p/kWh, a decrease (-13%) on the current rate of 0.0223 p/kWh. This reduction is principally the result of the revised demand forecast.

There are a number of uncertainties around the calculation of this charge which include the forecast Exit Capacity bookings, including any Exit Capacity reduction applications, and the charging base. Taking these factors into account, we estimate the range on the indicative charges is +/- 10%.

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

¹ Please note that the October 2016 charges (along with 2017/18 to 2019/20 indicative charges) were also published on 29 April 2016 for the user commitment in the 2016 Exit Capacity Application Window. Details can be found on the National Grid website at <http://www2.nationalgrid.com/uk/Industry-information/System-charges/Gas-transmission/Current-charges/> 'Notice of Final NTS Exit (Flat) Capacity Charges effective from 1 October 2016 and Indicative NTS Exit (Flat) Capacity Charges for the 2016 Annual Application Window for Enduring Annual NTS Exit (Flat) Capacity'.

² Notice of NTS Annual Quarterly (Entry and Exit) Interconnection Point (IP) Reserve Prices can be found at <http://www.gasgovernance.co.uk/ntscharges/2016>

SO Charges

SO Allowed Revenues

The SO allowed revenue is expected to decrease by £2.5m to £268.5m, compared to when charges were set for April 2016. Revenue from other sources has increased by £7.5m therefore the amount to collect through SO Commodity charges has decreased by c.£10m.

NTS SO Commodity Charges

The indicative level of the NTS SO Commodity charge, as applied to both Entry and Exit flows, is **0.0119** p/kWh compared to the current rate of 0.0147 p/kWh (-19%) and an average rate for 2015/16 of 0.0159 p/kWh. The forecast higher demand has also contributed to the decrease in this charge.

Forecast volumes and external costs such as shrinkage, in particular unforeseen changes in gas costs and/or UAG volumes, are the key variables in calculating this charge. We believe that the potential variation in our estimate of the SO commodity charge is in the region of +/-15%.

Other Charges

The **Compression Charge** levied at the Total Oil Marine sub-terminal at St. Fergus is expected to decrease from its current level of 0.0187 p/kWh to **0.0178** p/kWh (-5%). Forecast costs remain unchanged and a small increase in the expected flows through the Total Oil Marine (TOM) sub-terminal has caused this charge to decrease. We estimate the range on this charge to be +/- 15%.

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

Supporting Information

Supporting Information

Guidance and detailed supporting charge setting information will be made available on the National Grid website at <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Gas-transmission/Tools-and-Models/>

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) or email the charging team at box.transmissioncapacityandcharging@nationalgrid.com.

For an overview of our commitment to customers, please see:

<http://www2.nationalgrid.com/uk/Services/Transmission-customer-commitment/>

Appendices

Appendix I

Table 1 Forecast Allowed Revenues for Financial year 2016/17

	2016/17 at April 2016 (Final)	2016/17 at October 2016 (Indicative)	Change
TO Maximum Allowed Revenue	£800m	£800m	-
SO Maximum Allowed Revenue	£271m	£268.5m	-£2.5m
Revenues to be collected from:			
NTS TO Entry Commodity	£309.5m	£311m	£1.5m
NTS TO Exit Commodity	£137.4m	£136.6m	-£0.8m
NTS SO Commodity	£182m	£172m	-£10m

Appendices

Appendix II

Table 2 shows NTS Exit Capacity charges effective from 1 October 2016.³

Table 2 Exit Capacity Charges

Offtake Point	Type of Offtake	2016/17 Final pence/kWh/day
Bacton	GDN (EA)	0.0010
Brisley	GDN (EA)	0.0043
Cambridge	GDN (EA)	0.0115
Great Wilbraham	GDN (EA)	0.0104
Matching Green	GDN (EA)	0.0152
Peterborough Eye (Tee)	GDN (EA)	0.0104
Roudham Heath	GDN (EA)	0.0062
Royston	GDN (EA)	0.0126
Whitwell	GDN (EA)	0.0148
West Winch	GDN (EA)	0.0070
Yelverton	GDN (EA)	0.0037
Alrewas (EM)	GDN (EM)	0.0203
Blaby	GDN (EM)	0.0162
Blyborough	GDN (EM)	0.0069
Caldecott	GDN (EM)	0.0135
Thornton Curtis (DN)	GDN (EM)	0.0011
Drointon	GDN (EM)	0.0216
Gosberton	GDN (EM)	0.0082

³ Please note that the October 2016 charges (along with 2017/18 to 2019/20 indicative charges) were also published on 29 April 2016 for the user commitment in the 2016 Exit Capacity Application Window. Details can be found on the National Grid website at <http://www2.nationalgrid.com/uk/Industry-information/System-charges/Gas-transmission/Current-charges/> 'Notice of Final NTS Exit (Flat) Capacity Charges effective from 1 October 2016 and Indicative NTS Exit (Flat) Capacity Charges for the 2016 Annual Application Window for Enduring Annual NTS Exit (Flat) Capacity'.

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Offtake Point	Type of Offtake	2016/17 Final pence/kWh/day
Kirkstead	GDN (EM)	0.0058
Market Harborough	GDN (EM)	0.0148
Silk Willoughby	GDN (EM)	0.0072
Sutton Bridge	GDN (EM)	0.0090
Tur Langton	GDN (EM)	0.0150
Walesby	GDN (EM)	0.0030
Asselby	GDN (NE)	0.0049
Baldersby	GDN (NE)	0.0065
Burley Bank	GDN (NE)	0.0089
Ganstead	GDN (NE)	0.0007
Pannal	GDN (NE)	0.0094
Paull	GDN (NE)	0.0001
Pickering	GDN (NE)	0.0061
Rawcliffe	GDN (NE)	0.0051
Towton	GDN (NE)	0.0074
Bishop Auckland	GDN (NO)	0.0043
Coldstream	GDN (NO)	0.0001
Corbridge	GDN (NO)	0.0050
Cowpen Bewley	GDN (NO)	0.0020
Elton	GDN (NO)	0.0033
Guyzance	GDN (NO)	0.0020
Humbleton	GDN (NO)	0.0001
Keld	GDN (NO)	0.0127
Little Burdon	GDN (NO)	0.0038
Melkinton	GDN (NO)	0.0118
Saltwick Pressure Controlled	GDN (NO)	0.0035

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Offtake Point	Type of Offtake	2016/17 Final pence/kWh/day
Saltwick Volumetric Controlled	GDN (NO)	0.0035
Thrintoft	GDN (NO)	0.0058
Towlaw	GDN (NO)	0.0066
Wetheral	GDN (NO)	0.0089
Horndon	GDN (NT)	0.0157
Luxborough Lane	GDN (NT)	0.0159
Peters Green	GDN (NT)	0.0153
Peters Green South Mimms	GDN (NT)	0.0153
Winkfield (NT)	GDN (NT)	0.0253
Audley (NW)	GDN (NW)	0.0257
Blackrod	GDN (NW)	0.0223
Ecclestone	GDN (NW)	0.0294
Holmes Chapel	GDN (NW)	0.0271
Lupton	GDN (NW)	0.0156
Malpas	GDN (NW)	0.0278
Mickle Trafford	GDN (NW)	0.0292
Partington	GDN (NW)	0.0256
Samlesbury	GDN (NW)	0.0207
Warburton	GDN (NW)	0.0253
Weston Point	GDN (NW)	0.0303
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)	0.0001

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Offtake Point	Type of Offtake	2016/17 Final pence/kWh/day
Careston	GDN (SC)	0.0001
Drum	GDN (SC)	0.0001
St Fergus	GDN (SC)	0.0001
Glenmavis	GDN (SC)	0.0001
Hume	GDN (SC)	0.0007
Kinknockie	GDN (SC)	0.0001
Langholm	GDN (SC)	0.0061
Lauderhill	GDN (SC)	0.0020
Lockerbie	GDN (SC)	0.0050
Netherhowcleugh	GDN (SC)	0.0029
Pitcairngreen	GDN (SC)	0.0001
Soutra	GDN (SC)	0.0026
Stranraer	GDN (SC)	0.0038
Farningham	GDN (SE)	0.0179
Farningham B	GDN (SE)	0.0179
Shorne	GDN (SE)	0.0167
Tatsfield	GDN (SE)	0.0199
Winkfield (SE)	GDN (SE)	0.0253
Braishfield A	GDN (SO)	0.0294
Braishfield B	GDN (SO)	0.0294
Crawley Down	GDN (SO)	0.0279
Hardwick	GDN (SO)	0.0192
Ipsden	GDN (SO)	0.0229
Ipsden 2	GDN (SO)	0.0229
Mappowder	GDN (SO)	0.0350
Winkfield (SO)	GDN (SO)	0.0253

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Offtake Point	Type of Offtake	2016/17 Final pence/kWh/day
Aylesbeare	GDN (SW)	0.0379
Cirencester	GDN (SW)	0.0257
Coffinswell	GDN (SW)	0.0410
Easton Grey	GDN (SW)	0.0263
Evesham	GDN (SW)	0.0216
Fiddington	GDN (SW)	0.0208
Ilchester	GDN (SW)	0.0330
Kenn	GDN (SW)	0.0392
Littleton Drew	GDN (SW)	0.0272
Lyneham (Choakford)	GDN (SW)	0.0441
Pucklechurch	GDN (SW)	0.0282
Ross (SW)	GDN (SW)	0.0175
Seabank (DN)	GDN (SW)	0.0304
Alrewas (WM)	GDN (WM)	0.0203
Aspley	GDN (WM)	0.0238
Audley (WM)	GDN (WM)	0.0257
Austrey	GDN (WM)	0.0195
Leamington	GDN (WM)	0.0186
Lower Quinton	GDN (WM)	0.0207
Milwich	GDN (WM)	0.0223
Ross (WM)	GDN (WM)	0.0175
Rugby	GDN (WM)	0.0173
Shustoke	GDN (WM)	0.0209
Stratford-upon-Avon	GDN (WM)	0.0202
Maelor	GDN (WN)	0.0288
Dowlais	GDN (WS)	0.0128

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Offtake Point	Type of Offtake	2016/17 Final pence/kWh/day
Dyffryn Clydach	GDN (WS)	0.0100
Gilwern	GDN (WS)	0.0141
Abson (Seabank Power Station phase I)	DC	0.0282
APACHE	DC	0.0001
Bacton (Great Yarmouth)	DC	0.0010
Barking (Horndon)	DC	0.0157
Barrow (Black Start)	DC	0.0116
Billingham ICI (Terra Billingham)	DC	0.0023
Bishop Auckland (test facility)	DC	0.0043
Blackbridge (Pembroke PS)	DC	0.0007
Blackness (BP Grangemouth)	DC	0.0001
Blyborough (Brigg)	DC	0.0080
Blyborough (Cottam)	DC	0.0069
Brine Field (Teesside) Power Station	DC	0.0015
Burton Point (Connahs Quay)	DC	0.0306
Caldecott (Corby Power Station)	DC	0.0131
Carrington (Partington) Power Station	DC	0.0256
Centrax Industrial	DC	0.0408
Cockenzie Power Station	DC	0.0001
Coryton 2 (Thames Haven) Power Station	DC	0.0160
Deeside	DC	0.0307
Didcot PS	DC	0.0233
Drakelow Power Station	DC	0.0197
Eastoft (Keadby Blackstart)	DC	0.0068
Eastoft (Keadby)	DC	0.0068
Enron Billingham	DC	0.0023

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Offtake Point	Type of Offtake	2016/17 Final pence/kWh/day
Epping Green (Enfield Energy, aka Brimsdown)	DC	0.0162
Ferny Knoll (AM Paper)	DC	0.0225
Glasgoforest	DC	0.0001
Goole (Guardian Glass)	DC	0.0055
Gowkhall (Longannet)	DC	0.0001
Grain Power Station	DC	0.0152
Harwarden (Shotton, aka Shotton Paper)	DC	0.0305
Hatfield Power Station	DC	0.0051
Hollingsgreen (Hays Chemicals)	DC	0.0269
Langage Power Station	DC	0.0441
Marchwood Power Station	DC	0.0297
Medway (aka Isle of Grain Power Station, NOT Grain Power)	DC	0.0153
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC	0.0152
Pembroke CHP (South Hook CHP)	DC	0.0007
Peterborough (Peterborough Power Station)	DC	0.0108
Phillips Petroleum, Teeside	DC	0.0015
Pickmere (Winnington Power, aka Brunner Mond)	DC	0.0263
Roosecote (Roosecote Power Station)	DC	0.0116
Rosehill (Saltend Power Station)	DC	0.0001
Ryehouse	DC	0.0168
Saddle Bow (Kings Lynn)	DC	0.0069
Saltend BPHP (BP Saltend HP)	DC	0.0003
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC	0.0211
Seabank (Seabank Power Station phase II)	DC	0.0302

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Offtake Point	Type of Offtake	2016/17 Final pence/kWh/day
SEAL SANDS TGPP	DC	0.0015
Sellafield Power Station	DC	0.0163
Shellstar (aka Kemira, not Kemira CHP)	DC	0.0299
Shotwick (Bridgewater Paper)	DC	0.0302
Spalding 2 (South Holland) Power Station	DC	0.0086
St. Fergus (Peterhead)	DC	0.0001
St. Fergus (Shell Blackstart)	DC	0.0001
St. Neots (Little Barford)	DC	0.0149
Stallingborough (phase 1 and 2)	DC	0.0021
Stanford Le Hope (Coryton)	DC	0.0160
Staythorpe PH1 and PH2	DC	0.0103
Sutton Bridge Power Station	DC	0.0089
Teesside (BASF, aka BASF Teesside)	DC	0.0015
Teesside Hydrogen	DC	0.0016
Terra Nitrogen (aka ICI, Terra Severnside)	DC	0.0301
Thornton Curtis (Humber Refinery, aka Immingham)	DC	0.0011
Thornton Curtis (Killingholme)	DC	0.0011
Tilbury Power Station	DC	0.0164
Tonna (Baglan Bay)	DC	0.0101
TRAFFORD_PS	DC	0.0256
Upper Neeston (Milford Haven Refinery)	DC	0.0001
West Burton PS	DC	0.0070
Weston Point (Castner Kelner, aka ICI Runcorn)	DC	0.0303
Weston Point (Rocksavage)	DC	0.0303
Willington Power Station	DC	0.0214

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Offtake Point	Type of Offtake	2016/17 Final pence/kWh/day
Wragg Marsh (Spalding)	DC	0.0086
Wyre Power Station	DC	0.0199
Zeneca (ICI Avecia, aka 'Zenica')	DC	0.0023
Avonmouth Max Refill	STORAGE SITE	0.0302
Bacton (Baird)	STORAGE SITE	0.0010
Deborah Storage (Bacton)	STORAGE SITE	0.0010
Barrow (Bains)	STORAGE SITE	0.0116
Barrow (Gateway)	STORAGE SITE	0.0116
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	0.0276
Caythorpe	STORAGE SITE	0.0030
Cheshire (Holford)	STORAGE SITE	0.0262
Dynevor Max Refill	STORAGE SITE	0.0121
Rough Max Refill	STORAGE SITE	0.0001
Garton Max Refill (Aldbrough)	STORAGE SITE	0.0001
Glenmavis Max Refill	STORAGE SITE	0.0001
Hatfield Moor Max Refill	STORAGE SITE	0.0060
Hole House Max Refill	STORAGE SITE	0.0268
Hornsea Max Refill	STORAGE SITE	0.0016
Partington Max Refill	STORAGE SITE	0.0256
Stublach (Cheshire)	STORAGE SITE	0.0262
Saltfleetby Storage (Theddlethorpe)	STORAGE SITE	0.0016
Hill Top Farm (Hole House Farm)	STORAGE SITE	0.0268
FORDOUN CNG STATION	New site	0.0001
AIR_PRODUCTS	New site	0.0016

Appendices

Appendix III

Table 3 summarises the indicative changes to the Commodity charges being made in October 2016.

Table 3 Summary of Commodity Charges

NTS Charge	April 2016	Oct 16 Indicative	Change
TO Entry Commodity	0.0499	0.0445	-0.0054
TO Exit Commodity	0.0223	0.0194	-0.0029
SO Commodity (Entry & Exit)	0.0147	0.0119	-0.0028
St. Fergus Compression	0.0187	0.0178	-0.0009

Appendices

Appendix IV

NTS Exit Capacity charges relating to Interconnection Points (IPs)

The following prices given in **Error! Reference source not found.** are applicable for the Exit Annual Yearly IP Capacity Auctions, Exit Annual Quarterly IP Capacity Auctions, Exit Rolling Monthly IP Capacity Auctions, Exit Rolling Day Ahead IP Capacity Auctions and Within Day IP Capacity Auctions.

Table 4 IP Exit Capacity Charge

Offtake Point	Type of Offtake	2016/17 p/kWh/day
Bacton IUK	INTERCONNECTOR	0.0010
Bacton BBL	INTERCONNECTOR	0.0010
Moffat (Irish Interconnector)	INTERCONNECTOR - FIRM, EXIT ONLY	0.0038

For the Ascending Clock Auctions, the NTS Large Price Step shall be the greater of 5% of the reserve price or 0.0001p/kWh/day. A Small Price Step will be one fifth of the Large Price Step.