

Notice of Indicative Gas Transmission Transportation Charges

Indicative charges for 1 April 2016



Introduction

NTS Charges to Apply From 1 April 2016

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 April 2016. Notice of the actual charges will be published by 1 February 2016, to provide the two months' notice required by the Licence and Network Code obligations.

For the avoidance of doubt all charges not mentioned in this notice are unchanged from those in the 1 October 2105 Transportation Charging Statement.

This notice is split into four parts:

- **TO Charges**
 - TO Entry and Exit Commodity
 - DN Pension Deficit
- **SO Charges**
 - SO Entry and Exit Commodity
 - St Fergus Compression
 - Connected System Exit Point Administration
- **Tools and Supporting Information**
- **Appendices**

Basis of preparing Indicative charges

National Grid sets its charges to recover the price control allowances set by Ofgem. The current RIIO-T1 price control applies from 1 April 2013 to 31 March 2021.

Charging Base

As in previous years we have used the 'Gone Green' forecasts from the forecast Demand Statements published by National Grid, which assumes that the environmental targets set by the government are met i.e. 15% of all energy from renewable sources by 2020, greenhouse gas emissions meeting the carbon budgets out to 2027, and an 80% reduction in greenhouse gas emissions by 2050. For 2016/17 the charging base (gas flows) is forecast to decrease (-3%) compared to that forecast for 2015/16 at October 2015 charges setting.

Forecast flows to Ireland have reduced in 2016/17 to adjust for the introduction of the use of the new Corrib field off Ireland. LDZ forecasts have also reduced though this has been offset by an increase in the forecast use of gas at power stations.

TO Charges

TO Allowed Revenues

TO allowed revenue (which is shared 50:50 between Entry and Exit activities) has increased from the 2015/16 level of £749m to a level of £801m, an increase of £52m (7%). The details behind this increase are listed below:

- Base Price Control Revenue (BR) has increased by £34m due to a rise in the underlying base revenue and an inflationary adjustment.
- Pass through items have been adjusted to reduce revenue by £7m. This includes the removal of the adjustment which was added in 2015/16 only. This is related to the funding of independent systems (SIUs) following a Licence modification which allowed Scotia Gas Networks to recover the additional costs in securing supplies of LNG from the Avonmouth facility for the winter of 2012/13, due to the closure of Glenmavis LNG facility.
- National Grid has a Licence Condition relating to National Innovation Competition (NIC) which allows funding for networks to provide innovative low carbon or environmental projects. Ofgem will issue a direction (the Funding Direction) in late November / early December 2015 that will set the total amount that is to be recovered from or returned to GB customers through NTS charges to cover Gas NIC Funding (NICF) for 2015/16. We have assumed an NICF value of £18.7m for 2016/17.
- The Licence includes an adjustment for Output Incentives carried forward from 2014/15. This year includes a £32m Permit allowance carried forward from 2014/15 and a stakeholder satisfaction revenue increase of £2m.
- The under recovery from 2014/15 carries forward with a 2 year lag to 2016/17. The value of this under-recovery (TO K) is £16m which is equivalent to an increase in Allowed Revenues of £16m.

DN Pension costs, which are charged directly to the respective Distribution Networks (DNs) as outlined in Table 1 below, have been revised by an inflationary factor and are estimated to be £60.25m in 2016/17. Any update to this number will be included in the final charges to be issued in January 2016.

The main uncertainties around the TO Maximum Allowed Revenue relate to the MOD term and the NICF value both of which will be confirmed by Ofgem in time to set final charges for April 2016.

A summary table of Allowed Revenues is shown in Appendix 1 of this document.

TO Charges

NTS TO Entry Commodity Charge

The NTS TO Entry Commodity charge levied on entry flows is estimated to increase to 0.0504 p/kWh from its current rate of 0.0481 p/kWh and from an average rate for 2015/16 of 0.0470 p/kWh, representing an increase of 5% and 7% respectively. With auction income forecast to decrease by £12m in 2016/17 and the TO Entry allowed revenue increasing by £19m, the increase in this rate is primarily due to the increase in the revenue (+£31m) that we are seeking to recover from TO Entry Commodity charges.

Given the uncertainty around the TO allowed revenue we have calculated the range may vary from 0.0463 p/kWh (-8%) to 0.0522 p/kWh (4%).

NTS TO Exit Commodity Charge

The TO Exit Commodity charge is expected to increase from its current rate of 0.0209 p/kWh to 0.0226 p/kWh, an increase of 8%, and an increase of 12% on the 2015/16 average of 0.0202 p/kWh.

The TO Exit Commodity charge is used to collect a potential shortfall in Exit Capacity income compared to the allowed. The shortfall is estimated to be £17m higher than in 2015/16.

We estimate the range around this charge to be around 0.0185 p/kWh (-18%) and 0.0244 p/kWh (+8%).

NTS Exit Capacity charges

NTS Exit Capacity charges are normally updated once a year effective from October.

To account for the revised TO allowed revenue for 2016/17 in the indicative TO Exit Commodity rate, a revised view of TO Exit Capacity charges for 2016/17 has been calculated and used in the charge setting process. For reference these can be found in Appendix 2, however, they **do not** replace those rates that were published on 1 May 2015 and utilised for user commitment in the 2015 Exit Capacity Application Window.

A summary of TO Commodity charges can be found in Appendix 3.

TO Charges

Distribution Network (DN) Pension Deficit Charge

DN Pension costs are estimated to be £48.8m in 2009/10 prices and including inflation equates to £60.25m for 2016/17. Any update to this number will be included in the final charges to be issued in January 2016.

The Indicative monthly and annual DN Pension Deficit charges for 2016/17 are shown in **Table 1**.

Table 1 DN Pension Deficit charges

Distribution Network	Effective from 1 April 2016	
	Monthly Charge £	per Annum £m
East of England	917,724	11.01
London	535,022	6.42
North West	630,221	7.56
West Midlands	455,054	5.46
North of England	584,526	7.01
Scotland	403,646	4.84
South of England	934,860	11.22
Wales and the West	559,774	6.72

SO Charges

SO Allowed Revenues

The SO allowed revenue has increased by £9m from the 2015/16 level of £272m to £281m (3%).

Compared to 2015/16 October charge setting, the main changes are:

Base Revenue is forecast to reduce by £5m due mainly to an increase in the revised SO MOD term that is partially offset by a reduction in legacy revenue drivers. The SO MOD value adjusts for a number of items through an annual iteration of Ofgem's Price Control Financial Model (PCFM) and will be confirmed by Ofgem in late November / early December 2015. For the purpose of Indicative charges we have assumed a value of £1m for the SO MOD term.

A £4m under recovery carried forward from 2014/15, increases allowed revenue in 2016/17 as compared to a £10m over recovery in 2015/16 (from 2013/14) giving a £14m change from 2015/16.

NTS SO Commodity Charges

The Indicative level of the NTS SO Commodity charge, as applied to both entry and exit flows, is **0.0159** p/kWh compared to the current rate of 0.0148 p/kWh (7%) and from an average rate for 2015/16 of 0.0155 p/kWh (3%).

The main uncertainty around this charge is the value of shrinkage costs and the SO MOD term. To reflect this we estimate a variation of -15% / +15% around our forecast of the SO Commodity rate.

Other Charges

- The **St Fergus Compression** charge levied at the Total Oil Marine (TOM) sub-terminal at St. Fergus is expected to increase from its current level of 0.0152 p/kWh to an Indicative level of **0.0195** p/kWh, an increase of 28% and compared to an average rate of 0.0162 p/kWh during 2015/16, an increase of 20%. We estimate the range on this charge to be -10% / +10% on our forecast of the St Fergus Compression charge.
- The **Connected System Exit Point (CSEP) Administration** charge is expected to reduce to **0.0829** p/day (or **£0.30** pa) per supply point in April 2016.

A summary of the SO charges can be found in Appendix 3.

Supporting Information

Supporting Information

Guidance and supporting charge setting information will be made available on the National Grid website at <http://www.nationalgrid.com/uk/Gas/Charges/Tools/>. 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 are unable to attend NTSCMF or would prefer to obtain information about our charges via a different route or would like to provide feedback on how we present and explain changes to our charges, we would welcome any suggestions that would enable us to help.

Getting in touch

If you have any questions or feedback about this document, or NTS charges in general, please contact Colin Williams (01926 655916) or Karin Elmhirst (01926 655540) or email the charging team at box.transmissioncapacityandcharging@nationalgrid.com.

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

<http://www.nationalgrid.com/uk/EnergyandServices/TransmissionCustomerCommitment/>

Appendix 1

Allowed Revenues used for Charge Setting

	£m		
	2015/16 at Oct 15	2016/17 at Apr 16 Indicative	Change
TO Maximum Allowed Revenue	749.2	800.7	50.9
SO Maximum Allowed Revenue	272.1	280.9	8.8
NTS TO Entry Commodity	278.5	309.7	31.2
NTS TO Exit Commodity	122.7	137.9	15.1
NTS SO Commodity (Entry & Exit)	185.5	194.3	8.8
St. Fergus Compression	13.1	15.7	2.6

Appendix 2

Revised view of NTS Exit Capacity charges at October 2016 for 2016/17

Revised view of NTS Exit Capacity charges at October 2016 based on forecast allowed revenue as shown in Appendix 1.

Please note they do not replace the indicative rates that were published on 1 May 2015 and used for user commitment in the 2015 Exit Capacity Application Window.

Offtake	p/kWh/d
ABERDEEN	0.0001
ALREWAS_EM	0.0206
ALREWAS_WM	0.0206
AM_PAPER	0.0217
APACHE	0.0001
ARMADALE	0.0001
ASPLEY	0.0240
ASSELBY	0.0051
AUDLEY_NW	0.0259
AUDLEY_WM	0.0259
AUSTREY	0.0198
AVONMOUTH_LNG	0.0305
AYLESBEARE	0.0382
BACTON_BAIRD	0.0013
BACTON_Deborah	0.0013
BACTON_OT	0.0013
BACTONBBLINT	0.0013
BACTONINT	0.0013
BAGLAN_BAY_PG	0.0104
BALDERSBY	0.0057
BALGRAY	0.0001
BARKING_PG	0.0159
BARROW_BAINS	0.0107
BARROW_BS	0.0107
BARROW_GATEWAY	0.0107
BARTON_STACEY_(MRS)	0.0279
BATHGATE	0.0001
BILLINGHAM_ICI	0.0014
BISHOP_AUCKLAND	0.0035
BISHOP_AUCKLAND_TEST_FACILITY	0.0035
BLABY	0.0165
BLACKROD	0.0215
BLYBOROUGH	0.0072

Appendix 2

BP_GRANGEMOUTH	0.0001
BP_SALTEND_HP	0.0005
BRAISHFIELD_A	0.0296
BRAISHFIELD_B	0.0296
BRIDGEWATER_PAPER	0.0305
BRIGG_PG	0.0083
BRIMSDOWN_PG	0.0165
BRINE_FIELD_PS	0.0007
BRISLEY	0.0045
BROXBURN	0.0001
BRUNNER_MOND	0.0254
BURLEY_BANK	0.0081
BURNHERVIE	0.0001
CALDECOTT	0.0138
CAMBRIDGE	0.0118
CARESTON	0.0001
CARRINGTON_PS	0.0248
CAYTHORPE_(MRS)	0.0033
CENTRAX	0.0410
CHESHIRE_(MRS)	0.0262
CHOAKFORD	0.0444
CIRENCESTER	0.0259
COCKENZIE_PS	0.0001
COFFINSWELL	0.0413
COLDSTREAM	0.0001
CONNAHS_QUAY_PS	0.0309
CORBRIDGE	0.0042
CORBY_PS	0.0134
CORYTON_PG	0.0163
CORYTON_PG_2	0.0163
COTTAM_PG	0.0072
COWPEN_BEWLEY	0.0012
CRAWLEY_DOWN	0.0281
DAMHEAD_CREEK	0.0154
DEESIDE_PS	0.0309
DIDCOT_PS	0.0235
DOWLAI	0.0130
DRAKELOW_PS	0.0200
DROINTON_OT	0.0218
DRUM	0.0001

Appendix 2

DYFFRYN_CLYDACH	0.0103
DYNEVOR_ARMS_LNG	0.0124
EASINGTON&ROUGH_TERMINAL	0.0001
EASTON_GREY	0.0265
ECCLESTON	0.0297
ELTON	0.0025
ENRON_(BILLINGHAM)	0.0014
EVESHAM	0.0219
EYE	0.0107
FARNINGHAM	0.0181
FARNINGHAM_B	0.0181
FIDDINGTON	0.0211
GANSTEAD	0.0009
GARTON_(MRS)	0.0001
GILWERN	0.0144
Glasgoforest	0.0001
GLENMAVIS	0.0001
GLENMAVIS_LNG	0.0001
GOOLE_GLASS	0.0057
GOSBERTON	0.0084
GRAIN_GAS	0.0154
GREAT_WILBRAHAM	0.0107
GREAT_YARMOUTH	0.0013
GUYZANCE	0.0013
HARDWICK	0.0195
HATFIELD_MOOR_(MRS)	0.0062
HATFIELD_POWER_STATION	0.0054
HAYS_CHEMICALS	0.0269
HILLTOP_FARM	0.0271
HOLEHOUSE_FARM_(MRS)	0.0271
HOLMES_CHAPEL	0.0263
HORNDON	0.0159
HORNSEA_(MRS)	0.0019
HUMBLETON	0.0001
HUME	0.0001
ICI_RUNCORN	0.0306
ILCHESTER	0.0333
IMMINGHAM_PG	0.0013
IPSDEN	0.0232
IPSDEN_2	0.0232

Appendix 2

KEADBY_BS	0.0070
KEADBY_PS	0.0070
KELD	0.0119
KEMIRAINCE_CHP	0.0302
KENN	0.0394
KINGS_LYNN_PS	0.0072
KINKNOCKIE	0.0001
KIRKSTEAD	0.0061
LANGAGE_PG	0.0444
LANGHOLM	0.0053
LAUDERHILL	0.0012
LEAMINGTON_SPA	0.0189
LITTLE_BARFORD_PS	0.0151
LITTLE_BURDON	0.0030
LITTLETON_DREW	0.0275
LOCKERBIE	0.0042
LONGANNET	0.0001
LOWER_QUINTON	0.0210
LUPTON	0.0148
LUXBOROUGH_LANE	0.0162
MAELOR	0.0290
MALPAS	0.0281
MAPPOWDER	0.0352
MARCHWOOD	0.0299
MARKET_HARBOROUGH	0.0151
MATCHING_GREEN	0.0154
MEDWAY_PS	0.0155
MELKINTHORPE	0.0110
MICKLE_TRAFFORD	0.0295
MILFORD_HAVEN_REFINERY	0.0003
MILWICH	0.0226
MOFFAT	0.0030
NETHER_HOWCLEUGH	0.0021
PANNAL	0.0086
PARTINGTON	0.0248
PARTINGTON_LNG	0.0248
PAULL	0.0002
Pembroke CHP (South Hook CHP)	0.0010
PEMBROKE_PG	0.0009
PETERBOROUGH_PS	0.0111

Appendix 2

PETERHEAD_PG	0.0001
PETERS_GREEN	0.0155
PETERS_GREEN_SOUTH_MIMMS	0.0155
PHILLIPS_SEAL_SANDS	0.0007
PICKERING	0.0064
PITCAIRNGREEN	0.0001
PUCKLECHURCH	0.0284
RAWCLIFFE	0.0053
ROCKSAVAGE_PG	0.0306
ROOSECOTE_PS	0.0107
ROSS_SW	0.0178
ROSS_WM	0.0178
ROUDHAM_HEATH	0.0064
ROYSTON	0.0128
RUGBY	0.0176
RYE_HOUSE_PS	0.0170
SALTEND	0.0003
SALTFLEETBY	0.0019
SALTWICK_PC	0.0027
SALTWICK_VC	0.0027
SAMLESBURY	0.0199
SAPPIPAPERMILLCHP	0.0203
SEABANK_LDZ	0.0306
SEABANK_POWER_phase_II	0.0305
SEABANK_POWER_phase1	0.0284
SEAL SANDS TGPP	0.0007
SELLAFIELD_PS	0.0154
SEVERNSIDE_ICI	0.0304
SHORNE	0.0170
SHOTTON_PAPER	0.0308
SHUSTOKE	0.0212
SILK_WILLOUGHBY	0.0075
SOUTRA	0.0019
SPALDING_PG	0.0088
SPALDING_PG_2	0.0088
ST_FERGUS_BS	0.0001
ST_FERGUS_OT	0.0001
STALLINGBOROUGH	0.0024
STAYTHORPE	0.0106
STRANRAER	0.0030

Appendix 2

STRATFORD_UPON_AVON	0.0204
STUBLACH	0.0262
SUTTON_BRIDGE	0.0093
SUTTON_BRIDGE_PS	0.0092
TATSFIELD	0.0201
TEESSIDE_BASF	0.0007
TEESSIDE_HYDROGEN	0.0007
THORNTON_CURTIS_(KILLINGHOLME)	0.0013
THORNTON_CURTIS_LDZ	0.0013
THRINTOFT	0.0049
TILBURY_PS	0.0167
TOW_LAW	0.0057
TOWTON	0.0076
TRAFFORD_PS	0.0248
TUR_LANGTON	0.0153
WALESBY	0.0033
WARBURTON	0.0245
WEST_BURTON_PS	0.0073
WEST_WINCH	0.0073
WESTON_POINT	0.0306
WETHERAL	0.0081
WHITWELL	0.0151
WILLINGTON_PS	0.0217
WINKFIELD_NT	0.0255
WINKFIELD_SE	0.0255
WINKFIELD_SO	0.0255
WYRE_PS	0.0190
YELVERTON	0.0039
ZENECA	0.0014

Appendix 3

Summary of Commodity Charges

The table below summarises the Indicative changes to the Commodity charges being made in April 2016 compared to the current rates. A comparison between the average Commodity rate during 2015/16 and the April 2016 indicative is also provided.

Charge p/kWh	Oct-15	Average ¹	April 2016 Indicative	% Change...	
	(Current)	2015/16		to current	to Average 2015/16
NTS TO Entry Commodity	0.0481	0.0470	0.0504	5%	7%
NTS TO Exit Commodity	0.0209	0.0202	0.0226	8%	12%
NTS SO Commodity (Entry & Exit)	0.0148	0.0155	0.0159	7%	3%
St. Fergus Compression	0.0152	0.0162	0.0195	28%	20%

¹ Calculated from the forecast annual revenue collectable from the charge and the relevant forecast annual chargeable volumes