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Dear Paul,

Indicative Notice of Intention to Produce the Annual Yearly and Annual Quarterly Interconnection Point (IP) Reserve Prices.

Under the change introduced in Capacity Allocation Mechanism (CAM) effective from 1 November 2015, the Interconnection Points (IPs) have different auctions and auction timings. The first Annual Yearly and Annual Quarterly Auctions at the IPs will be held next year for capacity from 01 October 2016 to 30 September 2017.

Therefore, I am writing to give indicative notice of our intention to produce for both Entry and Exit the first set of Annual Yearly IP reserve prices for the first Annual Yearly IP auction which is to be held in March 2016 and the Annual Quarterly IP reserve prices for the first Annual Quarterly IP auction which is to be held in June 2016.

Reserve prices for the Annual Yearly and Annual Quarterly auctions are calculated in accordance with the arrangements set out in Section Y of the Uniform Network Code (UNC) – Charging Methodologies¹, Section B of the European Interconnection Document (EID) – Capacity² and the Entry Capacity Release (ECR) Methodology Statement.

Entry reserve prices at IPs and final Exit reserve prices at IPs are set using a transportation model which will include:

- Supply and demand patterns determined from the latest data in the 2015 Ten Year Statement and the balancing rules in accordance with Section Y of the UNC.
- The pipeline network expected in 2016/17 which is based on expected pipeline changes included in the 2015 Ten Year Statement.
- Latest expansion constant will be included for the investment costs.

The notice of the reserve prices to apply at both the Entry Annual Yearly IP auction and Entry Annual Quarterly IP auction will be given at least two months in advance of the March 2016 Entry Annual Yearly IP auction.

¹ http://www.gasgovernance.co.uk/sites/default/files/TPD%20Section%20Y%20-%20Charging%20Methodologies_18.pdf

² http://www.gasgovernance.co.uk/sites/default/files/EID%20Section%20B%20-%20Capacity_1.pdf

The reserve prices for the Exit Annual Yearly IP auction are the Indicative prices that were published for 2016/17 in May 2015³ in accordance with EID Section B and Exit Annual Quarterly IP auction reserve prices will be given at least one month in advance of the June 2016 Exit Annual Quarterly IP auction.

NTS large price steps for an Auction (Annual Yearly IP (Entry and Exit) and Annual Quarterly IP (Entry and Exit)) will be the greater of 5% of the applicable reserve price and 0.0001 p/kWh/Day.

If you have any questions about this Indicative Notice please contact Laura Butterfield on 01926 656160.

Yours sincerely,

Steve Fisher
Gas Charging and Capacity Development Manager

³ <http://www.gasgovernance.co.uk/sites/default/files/Exit%20capacity%20notice%201%20may%202015.pdf>