NATIONAL GRID

NTS Shrinkage Incentive
Ex-Ante Baseline Values Statement
For 2014/15

December 2013

ABOUT THIS DOCUMENT

This document sets out baseline value targets that National Grid Gas plc ("National Grid") in its role as holder of the Gas Transporter Licence in respect of the NTS ("the Licence") is required to publish in accordance with the NTS Shrinkage Incentive Methodology Statement for Formula Year 2014/15.

This document will be updated and published five times for 2014/15:

- June 2013 (initial publication)
  - Baseline volumes for Q2 2014 (UAG, CFU & CV Shrinkage)
  - CFU baseline volumes for other quarters
  - CV shrinkage baseline volumes for other quarters
- September 2013 (update)
  - Baseline volumes for Q3 2014
- December 2013 (update)
  - Baseline volumes for Q4 2014
- March 2014 (update)
  - Baseline volumes for Q1 2015
- May 2015 (update)
  - Adjusted target volume
    - CFU adjusted target volume
    - CV shrinkage adjusted target volume

A separate document will exist for each incentive year.

If you require further details about any of the information contained within this document or have comments on how this document might be improved please contact James Wileman, Gas Incentives team on 01926 656916 or at james.wileman@nationalgrid.com or at:

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NTS Shrinkage Incentive Ex-Ante Baseline Values Statement

For

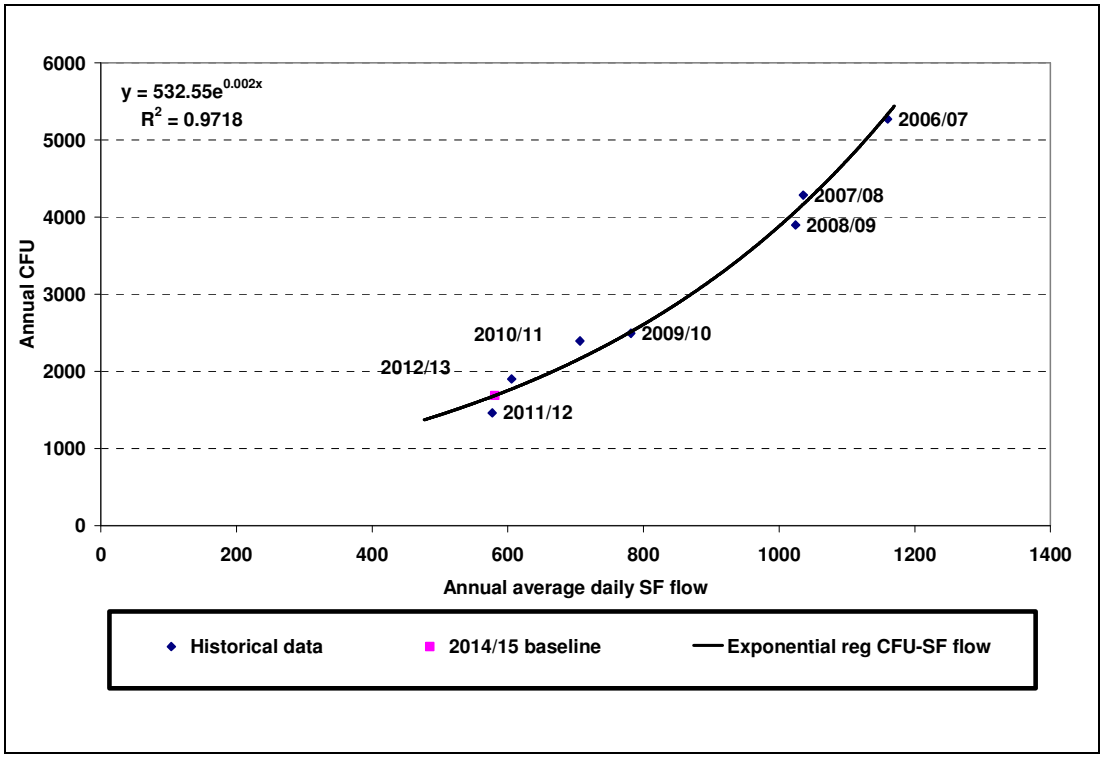
Incentive Year 2014/15

BASELINE VOLUMES - CFU

STEP 1

The relationship between flow at the St Fergus ASEP and total CFU, using data from 2006/7 to 2012/13 inclusive, is:

(A) Total CFU (GWh) = **532.55*exp**$^{0.001986 * \text{Daily Average St Fergus Flow}}$



STEP 2

The forecast flow at the St Fergus ASEP for 2014/15 is:

(B) **581** GWh/day

Inserting the forecast flow at St Fergus ASEP into equation (A) gives a total CFU baseline volume of:

(C) **1688** GWh

STEP 3
The quarterly CFU volumes for 2012/13 were:

	Q2 Apr-Jun	Q3 Jul-Sep	Q4 Oct-Dec	Q1 Jan-Mar	TOTAL
GWh	**270**	**187**	**569**	**876**	**1902**
%	**14%**	**10%**	**30%**	**46%**	**100%**

Applying the above quarterly percentages to the total CFU baseline volume (C) gives the following quarterly CFU baseline volumes for 2014/15:

	Q2 Apr-Jun	Q3 Jul-Sep	Q4 Oct-Dec	Q1 Jan-Mar	TOTAL
GWh	**240**	**166**	**505**	**777**	**1688**

STEP 4
Applying the prevailing view of electric compressor replacement, along with historical information of the split between gas and electric compressor usage, gives the following split of quarterly CFU baseline volumes between electricity and gas for 2014/15:

	Q2 Apr-Jun	Q3 Jul-Sep	Q4 Oct-Dec	Q1 Jan-Mar	TOTAL
Gas GWh	**152**	**101**	**388**	**628**	**1269**
Elec GWh	**29**	**22**	**39**	**50**	**140**

Note – electricity usage is one third of the electricity (gas equivalent) usage

BASELINE VOLUMES - CALORIFIC VALUE SHRINKAGE
The quarterly CV shrinkage baseline volumes for 2014/15 are as follows:

	Q2 Apr-Jun	Q3 Jul-Sep	Q4 Oct-Dec	Q1 Jan-Mar	TOTAL
GWh	**8.0**	**8.0**	**8.0**	**8.0**	**32.0**

BASELINE VOLUMES – UNACCOUNTED FOR GAS (UAG)
The quarterly UAG baseline volume target for Q2 2014/15 is:

	Q2 Apr-Jun	Q3 Jul-Sep	Q4 Oct-Dec	Q1 Jan-Mar	TOTAL
GWh	**722**	**626**	**610**	***** Mar 14**	

** Indicates when the UAG Baseline Volume targets will be published*

ENERGY EFFICIENCY VOLUMES – COMPRESSOR FUEL USE
The annual CFU energy efficiency adjustment volumes for 2014/15 will be calculated in May 2015

ENERGY EFFICIENCY VOLUMES – CALORIFIC VALUE SHRINKAGE
The CV shrinkage energy efficiency adjustment volumes for 2014/15 will be calculated in May 2015.