

30 April 2020

Indicative NTS Transportation Charges to apply from 1 October 2020

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 (UNC), which requires National Grid to provide at least 150 days' notice of changes to its gas transportation charges (the 'indicative' notice). This notice details changes that will apply from 1 October 2020. A Notice of the actual charges will be published by 1 August 2020, to provide the two months' notice required by the Licence and Network Code.

A copy of our document "**Notice of Indicative Gas Transmission Transportation Charges effective from 1 October 2020**" is available on the National Grid website using the following [link](#) under 'Indicative Notices'. **It should be read in conjunction with this note.**

There are UNC Charging modifications which may affect the Transportation Charging methodology for the Gas Year starting 1 October 2020. Of note is Modification 0678 'Amendments to Gas Transmission Charging Regime' (including ten alternates) for which Ofgem published a minded to position and impact assessment on 23 December 2019 (<https://www.ofgem.gov.uk/publications-and-updates/amendments-gas-transmission-charging-regime-minded-decision-and-draft-impact-assessment>). This included a preference for October 2020 as the proposed effective date. As a decision is expected in the near future, this means there is the potential for the payable prices associated with capacity allocated and commodity charges to be impacted by such modifications.

Additional modifications may also impact the payable prices and aspects of the charging regime for the Gas Year starting 1 October 2020. Market participants should keep up to date and engage with live UNC changes and be aware of those with Ofgem for decision via the Joint Office (<http://www.gasgovernance.co.uk/livemods> and <http://gasgovernance.co.uk/index.php/withofgem>).

Please note that the charges included in this notice are currently calculated solely on the current methodology, in line with the UNC, and will continue to be so until more certainty is available on the potential changes.

NTS TO Exit Capacity charges

NTS TO Exit Capacity charges¹ effective from 1 October 2020 have been published in a **separate notice** on 30 April 2020

¹ Please note that the October 2020 charges (along with 2021/22 to 2023/24 indicative charges) were also published on 30 April 2020 for the user commitment in the 2020 Exit Capacity Application Window. Details can be found on the National Grid website at <https://www.nationalgrid.com/uk/gas/charging-and-methodologies/transmission-system-charges> under Final and Indicative Notices.

Summary explanation of the changes to the Commodity charges from 1 October 2020

Charging Base

Although the new Demand Statements (DS) have not been released, the Summer Outlook Report (SOR) has been published and used to adjust our view of gas demand in 2020/21. Using the SOR we have reduced the charging base by 17TWh to account for a forecast reduction in Power Generation demand.

The forecast demand will be revisited before confirming final prices in October 2020 when a new set of DS data will be available (May/June 2020).

Allowed Revenues

There is no material change to the Gas Transportation Owner (TO) Maximum Allowed Revenue (MAR) from that used to set the current charges.

On the Gas System Operator (SO) side, there is a £11.7m increase in our view of the MAR, principally due to a revised forecast of external costs.

NTS Commodity Charges

A summary of the NTS Commodity charges can be found in the Table 1 below. Our estimated ranges around these rates are given in

Table 2 below and are based on the uncertainties around the allowed revenues and forecast demands.

Table 1 NTS Commodity Charges

p/kWh	April 2020	Indicative October 2020	Average 2019/20	Average 2020/21	Change from current
TO Entry Commodity	0.0491	0.0498	0.0451	0.0496	0.0007
TO Exit Commodity	0.0236	0.0242	0.0229	0.0240	0.0006
SO Commodity (Entry & Exit)	0.0114	0.0135	0.0131	0.0128	0.0021
St. Fergus Compression	0.0125	0.0082	0.0143	0.0098	-0.0043

Table 2 Ranges

Please note that for that due to the current uncertainty around the extent and the duration of any COVID-19 impact on demand, no revisions have been made to the charging base assumptions for the calculation of these indicative charges.

p/kWh	Indicative rates	Lower range	Upper range
TO Entry Commodity	0.0498	-10%	20%
TO Exit Commodity	0.0242	-10%	20%
SO Commodity (Entry & Exit)	0.0135	-20%	20%
St. Fergus Compression	0.0082	-5%	20%

Supporting Information

Guidance and detailed supporting charge setting information will be made available on the National Grid website at this [Link](#)

This includes the quarterly **charge setting report** which details:

- 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.

Getting in touch

If you have any questions or feedback relating to this notice, or NTS charges in general, please contact Dave Bayliss on 01926 656853 or email our charging team at box.NTSGasCharges@nationalgrid.com.